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PARLIAMENTARY DEBATES
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OFFICIAL REPORT

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Abbreviation	Party/Group
CB	Cross Bench
Con	Conservative
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind LD	Independent Liberal Democrat
Ind SD	Independent Social Democrat
Ind UU	Independent Ulster Unionist
Lab	Labour
Lab Co-op	Labour and Co-operative Party
LD	Liberal Democrat
LD Ind	Liberal Democrat Independent
Non-afl	Non-affiliated
PC	Plaid Cymru
UKIP	UK Independence Party
UUP	Ulster Unionist Party

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House of Lords

Wednesday 20 March 2019

3 pm

Prayers—read by the Lord Bishop of Chester.

Parliamentary Estate: Security Announcement

3.06 pm

The Lord Speaker (Lord Fowler): My Lords, further to my comments yesterday, I would like to update the House on the industrial action by security staff which had been planned for today. Yesterday evening, following lengthy negotiations, the strike action was suspended. As a result, all entrances across the Parliamentary Estate are open as normal for pass holders and non-pass holders, and the Public Galleries in both Houses are open for visitors. I remind the House, as I said yesterday, that it is imperative that we all wear our passes when on the Parliamentary Estate.

Refugees Question

3.06 pm

Asked by **Baroness Lister of Burtersett**

To ask Her Majesty's Government what steps they are taking to prevent destitution among newly recognised refugees in the light of the British Red Cross Report Still an ordeal, published in December 2018.

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, the Government are working on a number of important initiatives to ensure that refugees are able to access benefits and housing promptly, once their Home Office support ends. These include provision of a biometric residence permit with a national insurance number on it and arranging an appointment with their nearest Jobcentre if they confirm that they want assistance to make a benefit application.

Baroness Lister of Burtersett (Lab): My Lords, it has been three years since this House was promised action to ensure that refugees have enough time to claim social security before their asylum support is stopped. The British Red Cross report shows that the actions mentioned by the noble Baroness have not solved the problem. The refugees surveyed who had claimed universal credit were left up to 72 days in destitution. Will the Minister therefore undertake, first, to publish the evaluation of the mitigating scheme, which was expected over a year ago, and, secondly, to meet with me and the British Red Cross to discuss the calls made for a long time by organisations on the ground to extend the moving-on period so as to end the ordeal and misery faced by this uniquely vulnerable group of people?

Baroness Williams of Trafford: My Lords, I acknowledge the report that the noble Baroness mentioned. There were something like 26 people interviewed, but that is not to dismiss it at all. I can confirm that the evaluation work that she mentioned on the impact of some of things that we are doing has been undertaken, and the results are to be shared with the Work and Pensions Select Committee and NGOs thereafter.

Baroness Lister of Burtersett: When?

Baroness Williams of Trafford: I can only say “in due course” at the moment, but I am very happy to meet with her and the Red Cross.

Baroness Finlay of Llandaff (CB): Have the Government undertaken discussions with the banks? The problem is that universal credit is paid to banks, but refugees cannot prove residency and therefore need an alternative system to prove that they are refugees when opening a bank account.

Baroness Williams of Trafford: I certainly recognise that bank accounts are a difficulty for refugees. Local authorities were doing a pilot in 19 local authority areas, appointing 35 local authority liaison officers. They are there to give just that type of support, because we recognise that that is an issue.

The Lord Bishop of Chester: My Lords, is it not the 28 days that people have to make arrangements, when they change from being asylum seekers to being refugees, that is the difficulty? It takes me more than 28 days to open a bank account if I am on good form, and there are lots of other things that they have to think about. Could the period not be extended beyond 28 days? Universal credit often does not kick in for at least 35 days. The 28-day period is just too tight for people in these circumstances.

Baroness Williams of Trafford: I certainly recognise the point that the right reverend Prelate makes about 35 days for universal credit, because the move-on period is 28 days but the post-grant appointment service contacts the refugee at the start of the 28 days. The early findings are actually very positive on this new initiative. The majority who attend appointments get benefits before the 28-day period and, actually, on the subject of the 35-day universal credit payment, the advance UC payment as well.

Baroness Janke (LD): My Lords, is the Minister aware that the number of rough sleepers whose last settled base was asylum accommodation has increased over the past three years? If the Government's declared aim of ending rough sleeping is to be achieved, is it not essential that the move-on period be extended to 56 days, which is in line with homelessness legislation, which would give time for migrants to access financial support and for local authorities to take preventative steps?

Baroness Williams of Trafford: Our view is that elongating the move-on period does not necessarily solve the problem. What has been shown to be very effective is when the refugee is contacted right at the beginning of that period, so that the process of accessing

[BARONESS WILLIAMS OF TRAFFORD]
universal credit or housing or other services can begin straightaway. Indeed, for universal credit, advance payments can be made ahead of 35 days.

Baroness Meacher (CB): My Lords, noble Lords will know that most asylum seekers are not permitted to work during the period awaiting the decision on their application. They will have received just £37.70 per week from the Home Office. They are therefore absolutely without money when the decision finally comes through. Homelessness and destitution seem almost unavoidable in that situation. They have no chance of obtaining rented accommodation. Does the Minister accept that there really is a need for urgent steps if we are to eliminate destitution, particularly among this group? Will she take back to the department the need to allow asylum seekers to work during the period of waiting for their decision?

Baroness Williams of Trafford: The noble Baroness highlights the complex arguments around permitting asylum seekers to work, which the Government are certainly listening to very carefully. But it is also important to distinguish between those who need protection and those who are actually seeking to work here, who can apply for a work visa under the Immigration Rules.

Lord Kennedy of Southwark (Lab Co-op): My Lords, does the noble Baroness accept that the present arrangements, as highlighted in this report, can plunge the asylum seeker accepted as a refugee into destitution?

Baroness Williams of Trafford: I certainly accept that the Government are doing everything they can to ensure that measures and interventions are put in place during the 28-day period to ensure that the person who has been granted asylum gets the help they need in a timely fashion and that they do not have a gap in which benefits are not paid. But I certainly think there are all sorts of situations, including this, where people can be brought into destitution inadvertently.

Lord Alton of Liverpool (CB): My Lords, can I return the noble Baroness briefly to the question of the moving-on period and refer her to a letter that I wrote to her on 18 February? This detailed the experiences of the asylum and refugee community ARC Project Blackburn and the Lancashire Sanctuary Homes Project, giving details of the circumstances that newly recognised refugees have been unable to resolve during the 28-day period. These included things such as unscrupulous landlords and the condition of the accommodation they had been offered. Surely that gives more force to the argument advanced by other noble Lords in the House today that the period of grace should be longer than the current 28 days, perhaps by one month more.

Baroness Williams of Trafford: I did receive the noble Lord's letter, and it is now with the Immigration Minister—that is not to fob it off on to the Immigration Minister, but the noble Lord will definitely get a response from the department. I do not accept the point about

56 days, but I accept that people should be given help, advice and the interventions that they need promptly so that they can get the support that they need.

Brexit: Negotiations after 29 March 2019

Question

3.15 pm

Asked by **Lord Beith**

To ask Her Majesty's Government what meetings have been scheduled to take place after 29 March 2019 between Ministers and representatives of the European Union, and what matters are planned for discussion at such meetings.

Baroness Goldie (Con): My Lords, as set out in the political declaration, both the UK and the EU have committed to, and stand ready to begin, negotiations on the future relationship immediately after exit. Those discussions cannot begin until the withdrawal agreement has been signed and the UK is a third country. We will schedule talks as soon as possible once that signing has taken place.

Lord Beith (LD): I thank the Minister for her factually accurate reply. Is the agreed collective position of the Cabinet that only a short extension of the Article 50 period—to 30 June—is required, and not a longer extension? If the Prime Minister's proposed deal is not agreed by the Commons in that time, is the Cabinet's agreed collective position that we should leave without a deal on 30 June?

Baroness Goldie: The Prime Minister made the Government's position very clear when she responded to questions in the other place this morning. She made clear that a short extension is workable on the basis of wanting to get a meaningful vote and get her deal through. She pointed out the considerable difficulties that attach to a long extension. I think these difficulties are obvious to everyone. That is why she has written to Donald Tusk requesting an extension of the Article 50 period to 30 June. She wishes to secure that to provide time for the meaningful vote to take place as soon as possible, as she indicated in her letter.

On the other issue, of the extension period being granted but it not being possible to get the meaningful vote and the deal through before the expiry of that period, it would be a matter for the Cabinet and the House of Commons to determine if that unfortunate—and frankly unwelcome—situation arises.

Baroness Hayter of Kentish Town (Lab): My Lords, it has been 1,000 days since the referendum, there are nine days to go and we have now applied for an extension for another 93—you could not make it up. The length of the extension is perhaps less important than its purpose. Is it just time to batter the ERG into submission to agree her failed deal, or will it be used sensibly to engage with the Opposition to try to negotiate a different deal that is acceptable to the Commons and the country?

Baroness Goldie: The noble Baroness is right: a lot has happened since the referendum in 2016. Nobody is more conscious of that than the public of this country. I do not know what the noble Baroness picks up, but I know what I pick up outside the Westminster environment. It is a marked degree of frustration and anger at the inability of politicians to deliver what has now been clearly expressed in two votes: the referendum and the general election, in which both major parties pledged to deliver the referendum result. It is a matter of great regret that Her Majesty's Opposition have not been more constructive in securing delivery of that objective. The position is very clear: if the extension is granted—and the Prime Minister has made crystal clear why she seeks it—she will then want to hold the meaningful vote as soon as possible in the hope that the withdrawal agreement can be agreed. I think there is a yearning desire throughout the country to get this long, protracted and challenging matter brought to the phase where the next part of the proceedings can commence.

Lord Cormack (Con): My Lords, while I wish the Prime Minister well, does my noble friend agree that, had the other place listened a little more carefully to the withdrawal Bill as it reached them from this House, we would not be in the position we are in today?

Baroness Goldie: Wisdom is a great virtue, particularly with hindsight, but the challenges confronting the other place and the country at present were predictable from the time we commenced the process. Both Houses commenced that process, both Houses passed an Act of Parliament to trigger Article 50 and both Houses passed the European Union (Withdrawal) Act. The consequences of that were always clear and there is now a huge responsibility on politicians to resolve these issues and to endeavour to restore the public's faith.

Baroness Ludford (LD): My Lords, has the Minister seen the latest YouGov poll today, which shows that around six in 10 people are now in favour of remain, so leave is no longer the will of the people? We need a people's vote to confirm that. While enthusiasm on these Benches for the European elections is unbounded, does the noble Baroness accept that there are different legal views about the implications of a long extension? Therefore, will the Government be creative in exploring the other possibilities? I fear there has been some misrepresentation, particularly of the European Parliament's legal opinion, so will the Government explore the opportunities of a longer extension?

Baroness Goldie: To answer the first part of the noble Baroness's question, about a second vote of some kind, I think the frustration of the public is such that voters would be entitled to say at this juncture, "Stop asking us what we think and get on with delivering what we said". There is a public sentiment out there that politicians must start to attune with. On the latter part of her question, there will always be, I imagine, different legal interpretations, but our understanding is that a longer extension, beyond 30 June, would require this country to take part in the European Parliament elections. Given the result of the referendum three years ago, that would be a profoundly undesirable consequence.

Brexit: Bilateral Relations with European Union Member States

Question

3.22 pm

Asked by **Baroness Smith of Newnham**

To ask Her Majesty's Government what initiatives the Foreign and Commonwealth Office has put in place to strengthen bilateral relations with individual European Union member states after Brexit.

The Minister of State, Foreign and Commonwealth Office (Lord Ahmad of Wimbledon) (Con): My Lords, we remain strongly committed to our bilateral relations with EU partners. We have an extensive and well-established diplomatic network throughout the European Union, which is the foundation for our efforts to strengthen bilateral relations. Since June 2016, we have strengthened this network and invested substantially in the relationships we need in order to develop our interests in Europe after Brexit. This is complementary to our efforts to establish a strong relationship with the EU institutions.

Baroness Smith of Newnham (LD): My Lords, I am grateful for that Answer. Clearly diplomatic relations are important, but over the last 46 years the UK has built up a very intense set of relationships through membership of the European institutions. Ministers, parliamentarians and officials have regular contact with their opposite numbers from the other EU member states. When we leave the EU institutions, we will lose those informal relationships as well. Is a diplomatic strengthening of relations sufficient or do the Government also envisage thickening relations through party mechanisms and other means? If not, we are going to be not just outside the room formally but we will lose mechanisms for influencing our like-minded partners such as Germany, the Netherlands and Sweden.

Lord Ahmad of Wimbledon: My Lords, it is important and I agree with the noble Baroness that relationships matter. Of course, not just in the context of the EU but in any relationship, the ability to pick up the phone and talk to a counterpart in any country is essential to extending our strength of diplomacy. In the context of the European Union, I shall give three examples. The noble Baroness mentioned Germany: we announced a UK-Germany strategic dialogue in April 2018, which will be at Foreign Minister level. We have also agreed a joint compact on global responsibility and a joint vision statement on defence, in October 2018, between the MoD and the German defence department. We also had a successful UK-French summit in January 2018, a successful UK-Poland intergovernmental consultation in December 2018 and let us not forget that, above other things, we have also had two recent state visits, one from the Netherlands and one from Spain. Our diplomatic efforts and our efforts at extending through other connections, including party mechanisms, all make us well placed to continue to strengthen our work together.

Lord Anderson of Swansea (Lab): My Lords, does the Minister agree that to limit the damage, if Brexit were to take place, we need to identify, examine,

[LORD ANDERSON OF SWANSEA]

exploit and strengthen all existing relationships? That means not just diplomatically through our embassies and consulates, but that the parliamentary dimension should be examined. That includes the international parliamentary institutions like the Council of Europe and the all-party groups in this Parliament, which should be allowed to strengthen their relationships with their opposite numbers in the European Union.

Lord Ahmad of Wimbledon: I agree with the noble Lord about the Council of Europe, which remains an important body that we will continue to be part of. As Minister for the United Nations, I can say that we engage at the Security Council in that context. I recently attended a meeting of Foreign Ministers in Brussels called by the Belgian Foreign Minister which included Poland, Germany, ourselves and EU Commissioner Federica Mogherini. We talked about how we as five countries can work collectively within the context of the Security Council on European issues. Indeed, recent examples such as ensuring that the Iranian nuclear deal stays on the table show the strength of European unity. That goes beyond just working through what we have done so far with the European Union as a body.

Lord Howell of Guildford (Con): My Lords, have my noble friend and his colleagues in the Foreign Office noticed the views of Mrs Merkel's likely successor as Chancellor, Annegret Kramp-Karrenbauer, who has urged EU leaders to put aside their endless plans for more integration and develop stronger practical network links throughout Europe? Is that not precisely the sort of pattern that we, either in Brexit or after Brexit, would be far better placed to pursue and very much in line with a longer-term view of how Europe should develop?

Lord Ahmad of Wimbledon: My noble friend speaks from experience in this regard and is absolutely right. As I said in my Answer to the Question, the strength of relationships is important. We welcome the statements from Germany and indeed this week the German Foreign Minister, who I have dealt with extensively on initiatives we are taking at the UN in areas such as preventing sexual violence, has spoken very strongly about the importance of the bilateral relationship between our two countries and the need to strengthen that further.

Lord Collins of Highbury (Lab): My Lords, I understand that one key impact on our team in Brussels is that the expense accounts of our diplomats have been increased in order that they can take people out to lunch instead of meeting them inside the room. Aside from that, the key issue here is that of FCO resources being diverted to the necessary task of building up bilateral relationships. What impact is that having on our ability to act, particularly as regards hotspots in the world such as the Russian desk? Are we taking resources away from these very important areas to devote work to bilateral relationships in Europe?

Lord Ahmad of Wimbledon: My Lords, I assure the noble Lord that we continue to strengthen our relationships across the piece. He will recall that we are expanding our diplomatic missions in many parts

of the world. I am the Minister for the Caribbean, and later this year we will announce the opening of missions and diplomatic posts there. Of course as we leave the European Union it is important that we strengthen our network of diplomats in Europe. That is why every single one of the 27 ambassadors is now at senior management level. We have also announced a broad and extensive uplift in the form of new posts within our diplomatic missions across the EU—an expansion of 550. That continues to work well. On taking people out to lunch and working outside the room, I would be delighted to take the noble Lord out to lunch.

The Earl of Listowel (CB): My Lords, is the Minister aware that the principal finding made by the All-Party Parliamentary Group on Germany after its visit to the Bundestag two years ago was that we needed to significantly increase the exchange of young people from this country with those of Germany and other countries? Does he, as I do, take pride in and warmly applaud the move by the Secretary of State for Education to set aside money for every schoolchild to promote school exchanges with nations abroad?

Lord Ahmad of Wimbledon: The short answer is absolutely, and I pay tribute to the noble Earl's work with young people. It is not just the European Union that is important in this context; I put on record the excellent work of the British Council in strengthening our educational links, and I am sure that many noble Lords agree. That should continue, not just with EU countries but beyond the EU—within the Commonwealth and across the world as a whole.

Interserve Question

3.29 pm

Asked by *Lord Wallace of Saltaire*

To ask Her Majesty's Government what changes they are considering to the outsourcing of public services as a result of Interserve entering into administration.

Lord Young of Cookham (Con): My Lords, nothing in Interserve's refinancing will affect the delivery of public services. No staff have lost jobs and no pensions have been affected. The company has executed a contingency plan it had prudently developed in case the shareholders rejected the proposed refinancing deal. However, we have already announced changes to how we outsource; these are captured in the *Outsourcing Playbook*, which outlines a range of measures designed to ensure that outsourcing projects succeed.

Lord Wallace of Saltaire (LD): I am glad the Government are investing in playbooks—I am not sure what sort of play is intended. It seems to be time for an overall review. Can the Minister confirm that of the 29 strategic suppliers the Government list for outsourcing, five have now run into severe financial difficulties, and that in several cases, as with Interserve,

US hedge funds shorting the shares have contributed to that, putting British public services in peril? Can he confirm also that Interserve was a general supplier of probation services, the updating of sewers, waste management, bus station refurbishment, hospital cleaning and security, motorway repairs and the like, and that the record therefore—as with probation services, of which it was the largest supplier—suggests that its expertise is relatively limited?

Lord Young of Cookham: On the first point raised by the noble Lord, it is important to understand that what happened to Interserve was totally different from what happened to Carillion, for example. Carillion went bust. Pensioners took a hit. Creditors took a hit. People lost their jobs and there was discontinuity in services. None of that happened with Interserve. It was done with the approval of the pension trustees and the lenders, who wrote off the debt and put £100 million in. There was no discontinuity in services and nobody lost their job. That is important to understand.

The noble Lord asked whether we would have a general review. I announced that we have learned from past lessons; the document to which I just referred has 11 key policy areas in which we can come to better decisions and create a healthier outsourcing market.

The noble Lord is right that Interserve has a general portfolio—it protects the pandas in Edinburgh Zoo. The issue of probation services goes far wider than Interserve, as the noble Lord will know; the MoJ has announced a review of community rehabilitation services, with a view to improving outcomes and better integrating public sector, private sector and third sector providers.

Lord Browne of Ladyton (Lab): My Lords, the annual revenues of Interserve were £2.9 billion, two-thirds of which it got from the public sector. The debt holders got this business for approximately £600 million, and will undoubtedly sell off its profitable parts for more than they were owed. However, the unsecured creditors have been left fighting over £600,000. Were the Government part of that deal? How much was owed to these creditors? Why do the Government think that that amount of money is safe? These people will lose lots of money and many of them are small or medium-sized businesses.

Lord Young of Cookham: There is no reason why trade creditors of Interserve should lose any money. The hit was taken by the shareholders and the lenders who wrote off their debt and converted it into equity. The subsidiary companies providing goods and services to the public and private sectors are wholly unaffected by what has happened to the parent company, which has simply changed ownership. The creditors of the subsidiary companies are in exactly the same position as they were before the transaction over the weekend.

Lord Stevenson of Balmacara (Lab): My Lords, I will pick up that issue. This is a pre-pack administration, is it not? In a pre-pack, the people who lose out are the trade creditors and the people who survive are the owners of the original company, who walk away with a new company unencumbered by the debts its previous

creditors allowed. How can the Minister defend that? As my noble friend said, this involves thousands of SMEs, which will lose jobs and supply of cash, and be worse off. The Government reviewed this whole process in 2014. They accepted the recommendation of the Graham review to take powers in the Small Business, Enterprise and Employment Act 2015 to make sure that pre-packs were properly regulated. What is the progress on that?

Lord Young of Cookham: On the first point, it is important to understand that Interserve was in two halves. The subsidiary companies provided services to the public and private sectors, looking outwards towards the market, whereas the parent company looked backwards at the shareholders and the banks that were lending it money. What happened over the weekend was that the parent company went into administration and immediately, as the noble Lord said, went into a pre-pack and is now owned, in effect, by the lenders. It is the banks of those lenders, not the trade creditors, which are out of pocket as a result of the transaction.

I will write to the noble Lord on the second question, because it affects another department.

Lord Fox (LD): My Lords, the Minister shows great calm, as usual, on these issues. In fact, this squabble was played out across the City pages for weeks. The players in that squabble were the banks, the bondholders and the hedge funds. The Government had no part in that. The fact that Interserve lives to continue is nothing to do with the Government, it is the fortune of what happened out there—it was luck.

The Minister talks about a playbook. How does that playbook affect retrospectively all the services that the companies currently carry out? It is all very well looking forward to future services, but it is services today that were let many years ago that are still threatened by this kind of problem.

Lord Young of Cookham: The Government keep all the contracts under review. We have developed arrangements with all the major contractors. We have continuity arrangements known as living wills should there be, by any chance, any corporate failure. As I announced, looking forward, there will be a number of policy changes to ensure that better decisions are taken in future. We believe it is important to have a robust outsourcing market. The fact that Interserve has survived means that we still have a larger number of suppliers in this market than would have been the case had it gone out of business.

Lord Grade of Yarmouth (Con): Would my noble friend the Minister agree that perhaps there is a lesson in procurement here? Taking the lowest bid in a tender process is not necessarily the best long-term value for money.

Lord Young of Cookham: I entirely agree. The Government want to get the right mix of quality and effectiveness at the lowest possible price over the lifetime

[LORD YOUNG OF COOKHAM]
of the contract. There is certainly flexibility in our current rules to ensure that a higher-quality bid is successful even though it may cost more than other bids.

Brexit: Powers of EU-UK Joint Committee Statement

3.37 pm

The Advocate-General for Scotland (Lord Keen of Elie) (Con): My Lords, with the leave of the House, I will repeat the Answer to an Urgent Question given by my honourable friend the Minister for Exiting the European Union in the other place. The Answer is as follows.

“As is common in international agreements, the withdrawal agreement provides for a joint committee, comprising representatives of the United Kingdom and the European Union, to govern the implementation and application of the withdrawal agreement. The joint committee will have the powers listed in Article 164 to ensure both parties are able to discuss any issues that might arise concerning the management and operation of the withdrawal agreement.

As set out in paragraph 3 of Article 166, the joint committee will make all its decisions and recommendations ‘by mutual consent’ of the parties. In other words, it cannot act if the United Kingdom does not agree. That is an important protection for the United Kingdom, which honourable and right honourable Members should welcome.

Clearly, Parliament will expect that it will be able to undertake scrutiny of the work of the Joint Committee, as indeed will the European Parliament. Quite how that will operate is something which the Government will discuss with Members of this House and the other place, should this House give its support to the withdrawal agreement. But this House should be in no doubt that the Government’s approach at the joint committee will be underpinned by full ministerial accountability to Parliament”.

3.39 pm

Baroness Hayter of Kentish Town (Lab): Given the Government’s appalling record—ignoring both this House and the Commons; failing to influence either the mandate for their negotiations or, indeed, the outcome; and ignoring twice the view of the Commons on the deal—can the Minister assure the House that the joint committee’s work will be more accountable to Parliament than what we have witnessed so far? While I am on my feet, we have heard that the Prime Minister’s letter possibly arrived in Brussels too late to be discussed by the Council tomorrow. Can the Minister confirm whether that is the case?

Lord Keen of Elie: My Lords, I am not in a position to confirm or deny the position with regard to the postal service. However, I can say that, as always, Ministers will be accountable to Parliament for matters undertaken by the joint committee under the withdrawal agreement.

Lord Thomas of Gresford (LD): My Lords, the UK and the EU are obliged to implement the joint committee’s decisions, which will, under Article 166, have the same legal effect as the agreement itself—but there will be no ratification of any decisions taken by the joint committee, obviously. In the absence of any agreement on an issue by the joint committee, under Article 170, the issue will then be referred to the arbitration panel, whose decision will be final and binding. Again, it will not go back to Parliament for discussion. What control, if any, does the House of Commons have over the joint committee’s decisions?

Lord Keen of Elie: My Lords, there are two obvious controls. First, Ministers or others will attend the joint committee with a mandate from Parliament. Secondly, pursuant to Section 25(2) of the Constitutional Reform and Governance Act 2010, a decision that constitutes an amendment to part of the treaty or replaces part of the treaty made by the joint committee would require ratification.

Baroness McIntosh of Pickering (Con): My Lords, can my noble friend explain the current legal position on consultation on international agreements that have been reached with the Faroes, Norway and Iceland, which have carried over, particularly for the Scottish Government?

Lord Keen of Elie: Of course, international affairs are a matter for the United Kingdom Government. We do not undertake such matters without consultation with the devolved Administrations, where it has an impact on their interests. It is, however, simply a matter for the United Kingdom Government, not the Scottish Government.

Lord Pearson of Rannoch (UKIP): My Lords, have the Government seen the *Daily Telegraph* article revealing that nearly all the civil servants in the Foreign and Commonwealth Office are trying to frustrate the Government’s policy of leaving the European Union? How will the national interest be served in the joint committee?

Lord Keen of Elie: My Lords, the Government as an entity do not read—and do not read the *Daily Telegraph*.

Lord Tomlinson (Lab): My Lords, the noble and learned Lord said earlier that the Government always seek to follow the mandate from Parliament. Can he explain what the Prime Minister meant in her letter to Donald Tusk when she said:

“However, it remains my intention to bring the deal back to the House”?

Lord Keen of Elie: It means that her intention is to bring the deal back to the other place.

Lord Lilley (Con): My Lords, does the issue of the appalling committee of two civil servants that will be able to make law for this country not dwarf that of Henry VIII clauses and so on, which has caused this House so much concern in the past?

Lord Keen of Elie: My Lords, the joint committee will not be constituted of two civil servants. Its final constitution is yet to be agreed. Nevertheless, it will involve Ministers and others coming together. The size of the committee may vary from time to time, according to the task presented to it, but I do not accept the proposition that it will comprise two civil servants.

Lord Christopher (Lab): My Lords, I am not clear on the spread of the committee's responsibility. For example, who will deal with the problem of \$3 trillion being put through the City every day to deal with various contracts? There is high competition over them between several European countries, and New York in particular. Who will deal with that?

Lord Keen of Elie: These will not be issues for the joint committee. Its powers are essentially embraced by Articles 164 and 166 of the withdrawal agreement. I shall not go through them in detail at this stage, but their general purpose will be to ensure that the withdrawal agreement remains operational in circumstances where, for example, there is an unintended consequence or an apparent error in the agreement when it comes to its application. Therefore it does not extend to the sort of area that the noble Lord raises.

Viscount Waverley (CB): My Lords, a lot of reference is made to this arbitration committee. Could the Minister kindly remind us who makes up this arbitration committee? What are the criteria under which this arbitration panel is made up and the matters relating to it decided?

Lord Keen of Elie: My Lords, it is important to distinguish between two entities for the purposes of the withdrawal agreement. There is the joint committee, which will operate pursuant to Article 164. The final constitution of that joint committee has not yet been arrived at, but it will require representation from the EU and the United Kingdom after withdrawal and the consent of both parties before any decision is made. In the event of a dispute, matters can be referred on to arbitration and there will be an arbitration panel, which will be appointed from experts agreed on by the parties to the withdrawal agreement.

Lord Cormack (Con): Can my noble friend assure me that United Kingdom Ministers on this joint committee will speak with one voice?

Lord Keen of Elie: My Lords, United Kingdom Ministers always speak with one voice.

Lord Thomas of Gresford: The Minister said that there will not be two civil servants and we hear that there might be Ministers. Who will be the UK's representatives on the joint committee, and how will they attain a mandate from the House of Commons—one which those negotiating recently most clearly did not have?

Lord Keen of Elie: My Lords, the final constitution of the joint committee has not yet been agreed. It will be addressed once exit has taken place. However, those who represent the United Kingdom on the joint committee, be they Ministers or others, will carry with

them a mandate. They will be answerable to Parliament for the decisions made by the joint committee and the joint committee cannot implement decisions unless they are agreed to by both parties.

Lord Soley (Lab): Whether they are Ministers or not, will they answer to Select Committees of this House?

Lord Keen of Elie: My Lords, it is intended that in due course the existing European committee—I am sorry; I have not been given the precise terminology for the committee—will continue to receive information from those attending the joint committee. The final arrangements for that have not yet been made.

Baroness Smith of Newnham (LD): My Lords, I understand that at least one government Minister seems reluctant to give evidence to your Lordships' Economic Affairs Committee. If there is precedent for Ministers being reluctant to give evidence, there is a valid question about how we make sure that anyone representing the country on the joint ministerial committee can be made to give evidence.

Lord Keen of Elie: My Lords, our Ministers are always answerable to Parliament.

Lord Anderson of Swansea (Lab): My Lords, the Minister has said that the committee is answerable to Parliament. Does that mean that Parliament, or both Houses, can overrule its decisions? What would happen if Parliament were to do that?

Lord Keen of Elie: My Lords, Parliament could not overrule a decision of the joint committee. However, those attending the joint committee on behalf of the United Kingdom will take with them the mandate from this Parliament.

Lord Purvis of Tweed (LD): Will the Minister be clear about how that mandate will be secured? Is it the assumption that, before the position of the UK representatives on the committee is presented to the committee, it will have been passed by a resolution of both Houses? If that is not the case, how can the Minister say that there will be a mandate?

Lord Keen of Elie: First, membership of the joint committee will not necessarily be fixed. Its final constitution has not yet been agreed and may vary from time to time. Secondly, the manner in which members will carry their mandate from Parliament has yet to be agreed.

Trade Bill

Third Reading

3.49 pm

Lord Taylor of Holbeach (Con): My Lords, I have it in command from Her Majesty the Queen to acquaint the House that Her Majesty, having been informed of

[LORD TAYLOR OF HOLBEACH]
the purport of the Bill, has consented to place her prerogative, as far as it is affected by the Bill, at the disposal of Parliament for the purposes of the Bill.

Clause 2: Implementation of international trade agreements

Amendment 1

Moved by **Baroness Fairhead**

1: Clause 2, page 2, line 22, leave out “(4)” and insert “(4A)”

The Minister of State, Department for International Trade (Baroness Fairhead) (Con): My Lords, I am bringing forward amendments designed to maintain UK levels of statutory protection when implementing continuity trade agreements using the power in Clause 2 of the Trade Bill. The fact that I am able to do so is testament to the cross-party working that makes this House so valuable, and I have no doubt that this process has enhanced the legislation. I will speak to this amendment first and will respond to the amendments tabled by the noble Lord, Lord Stevenson of Balmacara, and my noble friend Lady McIntosh of Pickering once we have heard their contributions.

The Government are clear that we will maintain our domestic standards as the UK leaves the EU—an objective shared by so many of your Lordships. As we have stressed during its passage through this House, the fundamental aim of the Trade Bill is to achieve continuity in our trading relationships. A key aspect of that continuity is to ensure that UK statutory protections are maintained. These protections are highly valued by our businesses and consumers and are an important component of the UK’s offer to the world.

Noble Lords will recall the productive debate on this issue on Report on 6 March. We have since held constructive discussions with a number of noble Lords—including the noble Baronesses, Lady Jones of Moulsecoomb and Lady Henig, the noble Lords, Lord Stevenson and Lord Purvis of Tweed, and my noble friend Lady McIntosh—about how we can best reflect our shared objectives. I will now describe how we have achieved this.

This amendment restricts use of the power in Clause 2. It makes it clear that the power can be used only in a way that is consistent with the maintenance of UK levels of statutory protection in the listed areas. The term “UK levels of statutory protection” covers all UK domestic legislation relating to the protection of human, animal or plant life or health; animal welfare; environmental protection; and employment and labour. This includes retained EU legislation that is being brought into our domestic law as we leave the European Union. I will explain in a little more detail why we have fixed on the wording of these four categories.

First, we have chosen the formulation “protection of human, animal or plant life or health” because it is a broad description that includes, but is not limited to, the areas of food safety and public health. The purpose of this is to safeguard all legislative protections affecting human, animal or plant health. It may also be helpful to observe that this form of words is well understood in the WTO context, thus ensuring consistency with our wider international obligations.

Secondly, this amendment will ensure that environmental protection is secured. This is in line with the Government’s position on the environment, as reflected in the draft environment (principles and governance) Bill. Thirdly, it also ensures that the UK’s animal welfare legislation will be protected. Our animal welfare protections are held in high regard across the world, and we are clear that our trade policy should maintain them.

Lastly, we are making a statutory commitment in this amendment to uphold employment and labour protections. The Prime Minister is clear that we will not only protect existing workers’ rights but will, in time, seek to build on them. I again thank all noble Lords who have helped to shape this amendment. It achieves an important goal, which is both consistent with our trade policy and an improvement to the Bill.

Baroness Jones of Moulsecoomb (GP): My Lords, I find myself in unfamiliar territory—I might even say unknown territory—here, because I am supporting a government amendment. I am grateful to the Minister for having tabled the amendment, which is a rewritten version of some amendments from Report and Committee. We now have in the Bill protection for environmental, employment and animal welfare standards. That is a real success. Obviously, it does not go as far as I would like, but I am not sure how many Members of your Lordships’ House would support me on all the things that I would like to see in legislation.

I would like to check the phrasing in new subsection (4A), which I find a bit convoluted. Was that intentional? I would appreciate the Minister explaining the reasoning behind it. In particular, is she completely satisfied that it replicates the full extent of the Government’s promises about protecting standards and leaving the environment in a better state than we found it?

Those questions aside, this amendment is a very important development, and I hope that it provides a framework that the Government will build on in their future legislation—for example, in the Agriculture Bill, the Fisheries Bill and the environment Bill. It has taken a lot to get to this point. The Commons considered the issue in its consideration of the Bill, and it has taken your Lordships’ House until Third Reading to come to any kind of resolution beyond warm words. I hope that the Minister will confirm today that we will not have to battle over this in future Bills, and that it will be government policy to write it into legislation from day one.

Many Greens and progressives have been highly critical of international trade and globalisation because it has, to date, represented a race to the bottom. The failure of TTIP, for example, shows the level of public feeling against shadowy trade deals that threaten our hard-won standards. Some of the proponents of Brexit, of course, have suggested that the biggest advantage of leaving the EU is that we can have a bonfire of “red tape” so that we can strike new trade deals. Many of us shudder in fear at that prospect.

This amendment stops that thinking in its tracks. This really is the baseline level of protection that we should have in our trade deals. Our negotiators should be going into trade talks with these very clear red lines that cannot be up for debate. Going forward, I will be working with noble Lords to enshrine the principle of

non-regression in the environment Bill and other Bills, so that the only way is up for environmental standards. I realise that the environment Bill is outside the Minister's brief, but I would appreciate it if she could encourage her ministerial colleagues to pre-empt all our amendments by writing this stuff into the Bill in the first place.

As the Minister has described repeatedly in this process, British standards are highly regarded across the world and are part of our British brand. I thank all the people who have written to me and supported my work on the Bill. Compassion in World Farming was particularly helpful, alongside the Trade Justice Movement, Greener UK and Liberty. The noble Lord, Lord Stevenson, has worked hard outside the Chamber to negotiate with the Minister to get us to this point—and it has been great fun to work with two passionate campaigners here in your Lordships' House, the noble Baronesses, Lady Henig and Lady McIntosh of Pickering. Of course, I also repeat my thanks to the Minister and her officials for their generous time spent discussing these issues and bringing us to where we are today. This is the first step on a long journey, but I am happy to support the Government's amendment today.

4 pm

Baroness McIntosh of Pickering (Con): My Lords, it is a great pleasure to follow a fellow campaigner and the sole Green Party representative in this place. I congratulate the Minister on taking her first Bill through this House and thank her for the graciousness and openness that she has demonstrated in the meetings and exchanges that we have had. I thank the noble Baronesses, Lady Jones and Lady Henig, for supporting my amendment and for reaching common ground on this issue, as we have witnessed today. I also thank the noble Lord, Lord Stevenson, for showing his support, for his charm and graciousness and for not roaming in the gloaming as we did last week on the mobile phones SI. Above all, I acknowledge the work of the Minister in this regard.

I hope the Minister will not think me churlish of the spirit that she has shown in the text of the amendment, but it would be remiss of me not to say why I have tabled Amendment 4 for the purposes of debate today. I accept that it is a matter of language and semantics but, in the law, language is important. I understood her to say that guidance would be issued once the Bill had received Royal Assent, but guidance does not have statutory effect and I wonder what its legal status be. I do not take issue with her as much as the parliamentary and legal draftsmen in this regard.

As the Minister said in moving her amendment, we wish to maintain domestic standards when we leave the European Union. I point to the retained EU law—which I think we now call primary or principal law—on sanitary and phytosanitary requirements, in which it is generally understood that standards of food safety are paramount. That has been reflected in the campaign carried out by all the farming organisations, not least the NFU. However, the wording of the World Trade Organization and its committees states that:

“For all of these agreements, the WTO encourages international standards as it believes they are ‘less likely to be challenged legally in the WTO than if it sets its own standards’”.

That is the reason for tabling the amendment. It is a serious omission.

My noble friend said that proposed new subsection (4B)(a) to (d) covered food safety but, having seen epidemics almost every 10 years such as BSE, foot and mouth disease and the horsemeat scandal that could easily have been a food safety issue, I think that it is better to get it on the statute book.

I reiterate what the Minister said: there have been constructive discussions which have permitted us to coalesce around her Amendments 1 and 2. However, as the noble Baroness, Lady Jones of Moulsecoomb, has done, I put down a marker that we will return to this issue when the Agriculture Bill reaches this House. However, I again thank the Minister and congratulate her on getting us so far to Third Reading.

Baroness Deech (CB): My Lords, perhaps I may make what I hope are reassuring noises about food safety. There has been much discussion here about the fear that our food safety will decline once we have left Europe. Across Europe there are 23 million cases of food poisoning a year and 5,000 deaths.

In the global food security index we tie, at number three, with the USA. Only Ireland and Singapore are ahead of us. Most European countries are way down that list, including, for example, Poland and Bulgaria. In other words, they should be keeping up with us. We would have an awful long way to fall before our food safety record could be compared with the very low standards prevailing in much of Europe. While one welcomes this amendment, in practice there is very little to worry about.

The Earl of Lytton (CB): My Lords, this is the first time I have intervened on this Bill and I do so without any interests to declare, although back in the 1980s we had great discussions about the criteria for dealing with protected areas in the United Kingdom. This was because in the classification of the International Union for the Conservation of Nature, UK national parks were regarded not as category 1 protected areas but as multi-use areas. The meaning of national park here was different from what it was in the United States, Australia or many other countries.

There used to be a three-legged approach to what happened in protected areas in the UK, based on the principles of environmental, economic and social balance. It seemed to me then—and still does—that that encapsulates all that one might expect without skewing the outcome in one direction or another. None of the four items in proposed new subsection (4B) in Amendment 2 refers to business economics or to the leisure and cultural activities of those who may be living and working in protected areas. This is an omission of some significance in regard to protected areas in the UK. Can the Minister say, therefore, whether the three-legged approach is still meant to be encapsulated in the four-legged one in proposed new subsection (4B)?

Lord Krebs (CB): My Lords, I join the noble Baronesses, Lady Jones of Moulsecoomb and Lady McIntosh of Pickering, in congratulating the Minister on her work in bringing forward this amendment, which commits us to maintaining high standards of

[LORD KREBS]

food production, welfare and environmental protection. I have, however, a few questions that I hope the Minister may be able to answer and thereby clarify certain small areas of concern.

The first question is on whether Amendment 2 applies only to trade deals that are rolled over from existing EU third-country deals, or to all future trade deals. Secondly, does Amendment 2 include all provisions in rolled-over regulations? My third question is about the phrase “levels of statutory protection”—does that include levels set out in policy guidance? Fourthly, following a comment by the noble Baroness, Lady Jones of Moulsecoomb, can the Government provide at this stage a commitment to non-regression on standards?

As an addendum, I echo a point made by my noble friend Lady Deech: the high standards of food safety in this country are at least in part attributable to the role of the Food Standards Agency, of which I had the privilege of standing as its first chairman. My final question to the Minister is: can she reassure this House that after Brexit the independence and powers of the Food Standards Agency will not be eroded, and will continue to provide regulatory effectiveness—and reassurance to the public that our high standards of food safety will be effectively assessed and managed by an independent body?

Lord Purvis of Tweed (LD): My Lords, those who have followed the progress of the Bill in this House will have seen that the Government have acted with integrity in recognising that some of us felt that an extra level of protection for the continuity agreements should be recognised in statute. Across the House, we are genuinely grateful to the Minister for the manner in which she has responded.

I shall raise a couple of points for clarification. I welcome the amendments. The House will be aware that, in the early stages of our consideration, the amendments that I tabled, which were supported by other noble Lords, sought that our obligations under the international agreements in these areas be recognised. From the discussions we have had with the Minister and the Government, we now have the Government’s settled view, which is to maintain UK levels of statutory protection. That is satisfactory, but aligning ourselves to the obligations in the international agreements would have addressed the point made by the noble Lord, Lord Krebs, about the different agencies and bodies operating under the obligations of the international agreements rather than those that have been transferred into UK statutory or regulatory provision. I understand that the former is harder to do and the latter is clearer in legislation.

We need clarification about maintaining UK levels of statutory protection. The level of statutory protection in Scotland or Wales in some of these areas may be higher than the level in England, and in some of these areas there will be interaction with devolved legislation. In some areas there will be Scottish legislation or Welsh regulations and English regulations applying only to England. Which is considered of higher status? We do not know yet. I will be interested in the Government’s view.

My second point perhaps addresses the point made by the noble Lord, Lord Krebs. We know that these regulations will be for the continuity agreement, and by definition they will be limited to the agreements to which we are already signatories and which we have already put into UK legislation. I agree with the noble Baroness, Lady Jones, and other noble Lords that this sets the framework we would like to see in the non-regression provisions in future trade agreements. In the Urgent Question just before this debate, the noble and learned Lord, Lord Keen of Elie, was very keen to use the words “mandate in Parliament” with reference to the position of UK Ministers and making decisions with the European Union. In the way forward for these regulations, we are in effect starting to see an emerging set of parameters for a mandate for future trade agreements.

I have added my name to Amendment 3 on human rights. The complexity and sophistication of trade agreements are such that human rights are a key element that needs protection. Whether they relate to our commitments on modern slavery or to supply-chain issues of human trafficking, trade agreements and our trading relationship with other countries bring in elements of human rights beyond purely trading relationships. That is why I was happy to put my name to this amendment, so that the Government can clarify how human rights are captured within it. The helpful briefing from the Equality and Human Rights Commission indicated that while the Human Rights Act 1998 does not fall within the scope of the delegated powers in this area, it is broadly satisfied with maintaining current levels of protection. It believes that sets a wider precedent that can be taken into consideration on issues such as human rights. I will be grateful if the Minister can confirm that the Government agree with that interpretation. It would be a great reassurance for us that human rights provisions are maintained in the continuity agreements and will set a precedent for future trade agreements.

I welcome the Government not only listening but acting in bringing forward their amendment.

4.15 pm

Lord Stevenson of Balmacara (Lab): My Lords, I would also like to thank the Minister for introducing this amendment and the following one—Amendment 2—which she also spoke to. That amendment combines the thinking from Report stage Amendments 3 and 4 with further discussions that the Minister alluded to, which took place offline. These discussions have led to a broader understanding, reflected in the debate today, that it is worth having a clear and unambiguous statement in the Bill about our current standards for activities including,

“the protection of human, animal or plant life or health ... animal welfare ... environmental protection ... employment and labour”,

and—to pick up the point made by the noble Lord, Lord Krebs—ensuring no regression can occur as result of trade deals which are being rolled forward. The lead name on this amendment is the government Minister’s, and she has been joined by the Green, Labour and Conservative parties in that. This suggests that we have struck a feeling in the House that needs to be reflected in the wording.

Having said that, there is an amendment in my name, which I would like to raise for discussion although I will not press it, and there is an amendment on food safety in the name of the noble Baroness, Lady McIntosh, which has already been referred to. That points to three things that I would like to get on the record.

In working through how to address the non-regression of standards in trade conversion, the officials—with whom we had good and robust discussions—pointed out very strongly not only the need to ensure that the list provided in the final legislation was rooted in statute and justiciable but that it would fit with the WTO regulations, to which it was being addressed at least in part. The wording before us would perhaps not normally be expected in this House, given the argument being made here that good standards already exist and should not be diluted; that better ones should be adopted in some cases, if they exist; and that we should look forward to an increase in the quality provided through this system. It meets the difficulty that words such as “standards” are apparently not admissible in the way we were trying to use them, and, as I have said, the WTO language is somewhat different.

Having said that, the reason for having the amendment on human rights—which the noble Lord, Lord Purvis, has joined and spoke to earlier—was simply that, if the argument is made that statutory protections require or can benefit from a statement allowing that to be seen very clearly on the front of the Bill, why does that not apply to human rights? With food safety, one can never be more vigilant than we already are. None the less, we should make sure that it is available for future reference that this matter was considered and thought to be so important that it was part of that arrangement. I am sure that the Minister will want to respond to both of those points when she comes to them. As I have said, we will not be pressing this amendment.

I think this is a good day for the issues that people such as the noble Baronesses, Lady Jones and McIntosh, have campaigned for. My noble friend Lady Henig has also been very persistent in making sure that we got something about that into the Bill. I am very happy to support that.

Lord Pannick (CB): My Lords, I would like to add to what the noble Lord has said on human rights. I thank him for bringing forward the amendment specifically to add human rights, but I am satisfied with his decision not to move it. The powers conferred on Ministers under Clause 2 would not, as I understand it, permit Ministers to act in breach of the Human Rights Act—primary legislation—in any event. I would be very grateful if the Minister could confirm that understanding. It would also be inappropriate to include human rights in the main amendment because many pieces of legislation do not expressly refer to human rights. This is because we have primary legislation, which has a particular force. Therefore, including human rights in the amendment to Clause 2 might possibly cast doubt in those other areas.

Baroness Fairhead: My Lords, I turn first to Amendment 3, tabled by the noble Lords, Lord Stevenson of Balmacara and Lord Purvis of Tweed, and the noble Baroness, Lady Jones of Moulsecomb. I thank

them for their contributions to the debate, and for the detailed and—as the noble Lord, Lord Stevenson, correctly said—robust discussions that we have had on this critically important matter.

Let us be clear that the protection of human rights is important; in fact, it is fundamental. That is why it has been given its own legislative framework through the Human Rights Act, as the noble Lord, Lord Pannick, stated. Not only that, but we have been consistent and are clear about our position on human rights as we leave the EU. Simply put, we will continue to uphold human rights and meet our obligations under the European Convention on Human Rights. The rights set out in the ECHR are already effectively and extensively protected in our domestic law by the Human Rights Act. The effect of Section 6 of the Human Rights Act is that regulations made under Clause 2 must be consistent with ECHR rights. Further, Ministers are required by Section 19 of the Human Rights Act to make a statement about a Bill’s compatibility with the European Convention on Human Rights, and this appears on the face of the Bill.

I am happy to confirm to the noble Lord, Lord Pannick, that there is no power under the Bill to modify the Human Rights Act, because there is no power to modify any primary legislation which is not retained EU law. That is made clear by Clause 2(5)(a) of the Bill. Regulations under Clause 2 must therefore be consistent with maintaining the UK levels of statutory protection provided by the Human Rights Act, and no amendment is necessary to provide that. This is why the Government consider it neither necessary nor appropriate to include human rights in the list of protections in our amendment to the Bill.

In fact—noble Lords have referred to this—we were worried that including human rights in the list could have unforeseen, unintended and, frankly, unwelcome consequences. It might, for example, suggest that the Clause 2 power could have modified our domestic human rights protections but for such an explicit reference. We are clear that that is not possible. It could also have implied that existing powers in other legislation, where there is no such express restriction, could be used in a way that is not consistent with our domestic human rights protections. Again, we are clear that they cannot. I thank the noble Lord, Lord Pannick, for his agreement on this; I know that his expertise carries enormous weight in these matters.

I turn now to Amendment 4, tabled by my noble friend Lady McIntosh of Pickering and the noble Baronesses, Lady Jones and Lady Henig. The Government agree with the spirit of this amendment: we must maintain UK statutory protections for food safety, including the protection granted by retained direct EU legislation. I am grateful to the noble Baroness, Lady Deech, for confirming in hard data the excellence of our standards. That is testament to the standards that we have in the UK. As I have previously said, and for the reasons I have given, we propose the broad formulation of,

“the protection of human, animal or plant life or health”.

I appreciate that this House will want to have confidence that this category includes food safety, and I am happy to provide that. The whole purpose of food safety

[BARONESS FAIRHEAD]

regulation is to provide protection for human life and health. I am also happy to commit to publishing guidance that explains that this broad term should be read as encompassing all EU food safety and public health laws that will be retained in UK law, as well as being compatible with our international obligations.

The noble Baroness, Lady Jones, asked whether proposed subsection (4A) reflects the Government's commitment to the environment. The UK is committed to upholding its high environmental standards around the world. As with other EU trade agreements, our aim is to replicate the effect of the existing agreements, restricting any changes to technical fixes deemed necessary. The UK continues to be a global leader on climate action, as demonstrated by our ratification of the Paris agreement last November, and as part of the UK's Climate Change Act agreement of the UK's fifth carbon budget in July 2016. The 2008 Climate Change Act commits the UK to reducing our greenhouse gas emissions by at least 80% by 2050 over the 1990 levels. We want to ensure that economic growth, development and environmental protection can go hand in hand. Wherever UK legislation protects the environment, this amendment requires that our Clause 2 regulations are consistent with maintaining that protection.

The noble Baroness, Lady Jones, also asked about the wording in proposed subsection (4A)—she asked about the protection of protections. I am advised by our lawyers that, in drafting legislation—and I believe this to be true—it is important to be legally precise, even where this means that a clause might sound slightly odd on a plain-English reading. Our amendment effectively sets up a two-stage test. First, do Clause 2 regulations make provision in any of the listed areas? Secondly, if so, is that provision consistent with maintaining UK levels of statutory protection in that area?

I turn to other questions asked by noble Lords. The noble Lord, Lord Purvis, asked about the impact of the government amendment in devolved areas. Proposed subsection (4C) makes clear that the protections given through this provision apply to the levels of protection that have effect in the UK or part of the UK which are in place when the regulations are laid. If higher levels of protection are in place in Scotland, Wales or Northern Ireland, these will be the levels that are maintained.

The noble Earl, Lord Lytton, asked how businesses and economic factors will be taken into account in the exercise of these provisions. This amendment is all about maintaining UK levels of protection in continuity trade agreements. We therefore think that this is outside that, because this is all about continuity.

Lord Judd (Lab): My Lords, I declare an interest, as recorded in the register. I was very interested in the remarks of the noble Earl, Lord Lytton. The Government, of course, have constantly been committed: indeed, it has been on the face of relevant legislation. In any disputes about the national parks, scenic beauty and kindred issues take precedence. Will the Minister reassure us that what she is saying takes that point on board?

Baroness Fairhead: I am happy to make it clear that whatever exists now will continue to exist. This really is regarding continuity of the trade agreements that we are replicating as we leave the EU.

The noble Lord, Lord Krebs, asked some very specific questions that I will try to answer. The first was whether these applied only to the continuity trade deals, and the answer to that is yes. He asked whether it included all the provisions in transitioned trade agreements. The answer to that is yes: it includes all the provisions that we implement in our domestic law using the Clause 2 power. He asked whether the level of statutory protection includes published guidance, and the answer is that it includes all protections provided under primary legislation, subordinate legislation or retained direct EU legislation. Just to be clear, it includes all guidance that has statutory force.

I believe that the final question concerned the Food Standards Agency. It is our intention that it will continue to provide effective public reassurance. Again, the answer to that is correct. We might talk about the Food Standards Agency a little later on a following amendment.

I hope that I have addressed the questions, and I am very grateful for the constructive debate and the support the amendment has been given. Having addressed the two amendments, I ask the noble Lord and the noble Baroness not to press their amendments. I commend the amendment to the House.

Amendment 1 agreed.

4.30 pm

Amendment 2

Moved by Baroness Fairhead

2: Clause 2, page 2, line 43, at end insert—

“(4A) If regulations under subsection (1) include provision in any of the areas listed in subsection (4B), the provision must be consistent with maintaining UK levels of statutory protection in that area.

(4B) The areas referred to in subsection (4A) are—

- (a) the protection of human, animal or plant life or health;
- (b) animal welfare;
- (c) environmental protection;
- (d) employment and labour.

(4C) “UK levels of statutory protection” means levels of protection provided for by or under any—

- (a) primary legislation,
- (b) subordinate legislation, or
- (c) retained direct EU legislation,

which has effect in the United Kingdom, or the part of the United Kingdom in which the regulations have effect, on the date on which a draft of the regulations is laid.”

Amendments 3 and 4 (to Amendment 2) not moved.

Amendment 2 agreed.

Amendment 5

Moved by Baroness Fairhead

5: Clause 2, page 3, line 5, after first “for” insert “civil”

Baroness Fairhead: My Lords, this group covers Amendments 5 and 6. I will speak first to government Amendment 5. I will then respond to any additional points that the noble Lord, Lord Pannick, makes on his Amendment 6.

We had a valuable discussion in this House on Report on 6 March about what the powers in Clause 2 can and cannot be used for, prompted by the amendment proposed by the noble and learned Lord, Lord Judge, and the noble Lords, Lord Pannick and Lord Beith. That amendment was withdrawn, and I subsequently wrote to and met interested Lords to clarify the matter further and to consider how their concerns could be addressed without casting doubt on the meaning of other powers across our statute book.

Before addressing the detail of the Government's amendment, it might assist the House if I confirm for the record that the Government entirely agree that it is not appropriate for Explanatory Notes to be used as a means to confine broad ministerial powers. Furthermore, the Government agree that the rule in *Pepper v Hart* cannot and should not be relied on to clarify unclear drafting. As I think one noble and learned Lord said in our meeting, *Pepper v Hart* is a judicial solution to legislative failings and should not be used to justify those failings. I am happy to have this opportunity to put on the record, for the avoidance of doubt, that the Government do not seek to rely on *Pepper v Hart* in the context of Clause 2. I was happy to confirm this in the letter that I wrote to the noble and learned Lord, Lord Judge, and other noble Lords who took part on Report. I have placed copies in the Libraries of both Houses.

Lord Davies of Stamford (Lab): The noble Baroness said that the Government did not intend to rely on *Pepper v Hart* to deal with any issues that arise from the Trade Bill, which is very welcome indeed. Do the Government intend to use *Pepper v Hart* in other areas to clarify legislation in a way that they particularly want?

Baroness Fairhead: My Lords, I hope that the statement I made is entirely clear—we accept that Explanatory Notes should not be used to clarify legislation in that way.

Lord Davies of Stamford: I asked a question about *Pepper v Hart*, not about Explanatory Notes. They are two different issues.

Baroness Fairhead: I can confirm that the Government do not intend to use *Pepper v Hart* in the way that the noble Lord suggested we might. I hope that is clear to noble, and noble and learned, Lords.

I turn now to Amendment 5 and the considerations behind it. The power in Clause 2 cannot be exercised to create or extend criminal offences, impose fees, amend primary legislation—other than retained EU law—or create new public bodies. This is based on long-standing principles about the statutory construction of powers and on well-established legislative presumptions. These make it clear that certain things cannot be done by secondary legislation, unless they are expressly provided for in the enabling Act.

However, on the point about criminal offences, I am grateful for the very constructive discussions with noble Lords. These have led the Government to bring forward an amendment that would improve this Bill in a way that does not cast doubt on other powers in existing enactments. The Government's amendment is simple but, we believe, effective. It inserts the word "civil" into Clause 2(5)(d) so the text means that this power to implement continuity trade agreements may be used only to make provisions for civil penalties for failing to comply with the regulations. The explicit reference to civil penalties, without mention of criminal offences, makes it clear that the power may not be used to make or extend criminal offences. I trust that these words, alongside the government amendment, will provide reassurance to your Lordships.

Lord Judge (CB): My Lords, I first thank the Minister for her positive approach to the issues we raised in debate. In passing, I thank the noble Lord, Lord Stevenson, for helping us to sort ourselves out. The statement in the House today follows the exact terms of a letter that the Minister kindly wrote to me on 11 March. I welcome it. In the circumstances I just want to highlight why we brought this amendment before the House last time. It was to expose two constitutional heresies. The first was that Explanatory Notes may be used for the purposes of construing legislation. We thought that was a heresy. The Government had sent us a letter which told us that this was what they were going to be used for. The second heresy—which was in the same letter—was that *Pepper v Hart* could be relied on to clarify unclear drafting. The whole point of legislation is that it should be clear. *Pepper v Hart* is a last resort when this House or the other place has made a mess of the legislation.

I do not think it is necessary, or would be helpful to the House, to repeat what the Minister said. She said that she was referring to the letter. She lifted what she said to the House directly from the letter. With that, I think that for all times in the future—at any rate for the next considerable number of years—we can work on the basis that those two constitutional heresies shall be, and have been, consigned to the dustbin of constitutional oblivion. Can we please forget about it from now on?

I want to make a separate point to the Minister. I am afraid that events moved rather fast and I missed the boat on this. If I had thought about it sooner I would have had an amendment in to Clause 2(5) to exclude the words "among other things". The fact that I missed the bus does not mean that I may not come on it if it comes into fresh or different legislation. If it is being thought of as a possibility for fresh or new legislation, I urge the Minister to make all her colleagues understand the way the Government approached the Healthcare—I cannot remember which of the many words followed that word—Act that we enacted last night omitted the words "for example". Those words give far too wide a power to the Minister. I shall come back to "among other things" if the phrase ever returns, so forgive me. However, in view of the assurances from the Minister, the clarity of her observations to the House today and the amendment that would meet the concerns we advanced in relation to statutory construction, so far as I am concerned I do not propose to move my amendment.

Lord Pannick: My Lords, I too thank the Minister. She has devoted considerable time and effort to meeting those of us who signed the previous amendment and expressed concern about this matter, and she has addressed our concerns in a very positive manner. I say to the noble Lord, Lord Davies of Stamford, that I—and, I understand, my noble and learned friend Lord Judge—understand the Minister to be making a general statement: this is not a statement confined to the particular provisions of the Bill but a general statement about the Government's view relating to *Pepper v Hart* and the use of Explanatory Notes. I very much welcome that statement, which, as the Minister said, is precisely what she said to us in the letter she wrote.

All this exemplifies a concern that your Lordships' Constitution Committee, under the distinguished chairmanship of the noble Baroness, Lady Taylor of Bolton, expressed. My noble and learned friend Lord Judge, the noble Lord, Lord Beith—who was also party to the amendment on Report—and I have all expressed concern about the tendency of the Government to bring forward in legislation very broad powers and then to rely upon the good will and the good faith of the Minister in their exercise. We have repeatedly urged that Bills should not be so drafted and I think we have the support of the House in making those points regularly and consistently. We will continue to do so, I am sure, and it would be very helpful if other Ministers would understand that concern, as the Minister undoubtedly does, and ensure that legislation is tightly drafted so that proper parliamentary controls can take place.

Lord Wakeham (Con): Perhaps I might say a word, because I was the Chief Whip in the Commons when the *Pepper v Hart* decision was taken. What the Minister has said is of great advantage to her, because the difficulty I had then was that Ministers were being inhibited from giving proper explanations of Bills, because their advisers were telling them they might be infringing on *Pepper v Hart* and doing all sorts of things. So the fact that this matter has been cleared up after many years is a great advantage and I congratulate the Minister on doing it.

Lord Davies of Stamford: My Lords, I think the whole House—and indeed the country—should be very grateful to the noble and learned Lord, Lord Judge, and the noble Lord, Lord Pannick, for having raised this important matter, the effect of which goes way beyond this Trade Bill. I am very concerned that the assurances that have been given this afternoon by the Minister apply generally to all legislation and not just to this Bill. Perhaps I misunderstood the way that the Minister expressed herself on that: perhaps when she sums up she can once again make it absolutely clear.

Obviously, if it were the case that Explanatory Notes or ministerial Statements under the *Pepper v Hart* doctrine could be interpreted by the courts as being the equivalent of legislation, two appalling things would happen. One is that the Government would become extremely lazy in their drafting of legislation, because they could say, "Well, we can get it all right in the ministerial Statement in the House", or something of that sort. The second, even more serious issue would be that a lot of legislation—the Explanatory Notes concerned or the ministerial Statements—would not

be subject to analysis, debate and amendment by the two Houses of Parliament. That would be an absolutely disgraceful and tragic end to this particular tendency. So what has happened this afternoon is extremely important.

It is very important that what the Minister has said to the House this afternoon should be brought to the attention of all members of the Government. Once again, I would be very grateful to her if she would just repeat that these statements—I asked her specifically about the *Pepper v Hart* issue, but it applies to Explanatory Notes as well—apply generally to all legislation and are not tied in any sense to this particular Bill. This just happens, by accident, to be an occasion when we have two very distinguished noble and learned Lords taking part in the debate who spotted this issue, which if it had not been dealt with could have led to very serious consequences.

Lord Mackay of Clashfern (Con): My Lords, as I think the only person in the Chamber who participated in *Pepper v Hart*, it is right to say that the decision of the majority in that case was that statements made by the mover of an amendment or a provision explaining how that provision was supposed to operate could be referred to in a case of ambiguity in order to resolve the true meaning of the phrase. I did not agree with that for reasons which I set out and with which I will not bother your Lordships now. The decision in *Pepper v Hart* still stands as the legal decision. I venture to hope that it will not be used very often because it is only in a case of ambiguity that it should be used at all. If you look at the detail of *Pepper v Hart*, you will see that statements relied upon as being explanatory leave a certain amount to be desired.

4.45 pm

Baroness Neville-Rolfe (Con): As far as I am concerned, the train has left the station. Obviously, I come from a business background and there are ambiguities in legislation. I have had experience of *Pepper v Hart* being quite useful in cases where it has not been clear, in a technical regulation, what is needed. What my noble and learned friend has said suggests that it still sits there so that you can look at what was originally said by, for example, a Minister taking a Bill through, helping the courts to clarify what is being said. I hope that the huge constitutional change that we are presiding over today does not take that away completely because, if so, we are passing something for a wider area than the Trade Bill without having looked at all the ramifications.

Lord Lisvane (CB): My Lords, I do not wish to detain your Lordships unnecessarily, but in a previous life I spent three years as the Clerk of Legislation at the north end of this building. One of the duties of the Clerk of Legislation is to read through the Explanatory Notes and approve them for every government Bill. A key part of that process is ensuring that there is no advocacy or advertising of the merits of a part of a Bill in the Explanatory Notes. Another factor to be taken into account is when Explanatory Notes tend to give an interpretation or an additional gloss on something that actually ought to be on the face of the Bill. With that background, I thoroughly welcome the exchanges of the past few minutes.

Baroness Fairhead: My Lords, I thank the noble Lord, Lord Pannick, for reflecting his experience in this debate and for the constructive and clear conversations that we have had. I am happy to confirm to the noble Lord, Lord Davies of Stamford, and to the House that I was making a general statement. I also confirm to my noble friend Lady Neville-Rolfe that I will listen to the words of the noble and learned Lord, Lord Judge, who said that the important issue here is for clear legislation not lazy legislation, and that this is used only as a last resort and should not be relied upon.

Lord Pannick: Perhaps I might ask the Minister to confirm that, contrary to some of the comments that have been made, she is not introducing some major constitutional change today but that the rule in *Pepper v Hart* remains; it is a rule of law. All that she is confirming, as I understand it—the noble and learned Lord, Lord Judge, will say if he disagrees—is that the existence of the *Pepper v Hart* rule that in the case of ambiguity the courts can look at what was said by the mover of an amendment or a particular provision does not justify ambiguous legislation. It does not justify loose drafting. I think that that is all that the Minister is confirming.

Baroness Fairhead: I am happy to confirm that that is exactly what I meant. I do not, I believe, have the power to overturn *Pepper v Hart*, nor am I minded to do so. However, I want to confirm as a general statement exactly what the noble Lord, Lord Pannick, has articulated. It has been of huge benefit to the House to address, as the noble and learned Lord, Lord Judge, mentioned, two heresies and I am grateful to my noble and learned friend Lord Mackay of Clashfern, who has supported us in getting to this stage. I also thank my noble friend Lord Wakeham for his words of welcome, and I have taken on board the comments of the noble Lord, Lord Lisvane. I am happy to take back, through the officials, the request of the noble and learned Lord, Lord Judge, to reflect to my colleagues continuing concern over phrases such as “among other things”.

The work on this amendment has been an illustration of the very best of the experience of this House. I hope that the detailed reassurances I have provided will allow the noble Lord, Lord Pannick, not to move his Amendment 6.

Amendment 5 agreed.

Amendment 6 not moved.

Clause 11: UK participation in the European medicines regulatory network

Amendment 7

Moved by Lord Stevenson of Balmacara

7: Clause 11, leave out Clause 11 and insert the following new Clause—

“UK participation in EU and EEA organisations

- (1) The Secretary of State must seek to negotiate an international trade agreement with the EU which will enable the United Kingdom to continue, after exit day, to co-operate closely with the bodies listed in subsection (2).
- (2) The bodies are—

- (a) the European Medicines Agency;
- (b) the European Chemicals Agency;
- (c) the European Aviation Safety Agency;
- (d) the European Maritime Safety Agency;
- (e) the European Network of Transmission System Operators for Electricity;
- (f) the European Network of Transmission System Operators for Gas.”

Lord Stevenson of Balmacara: My Lords, I thank those who have supported me in bringing forward this amendment. Its history is that we debated it in Committee and again on Report, and have had a number of discussions on the issues it raised. The original concern was that in the other place an amendment was moved to the original Bill to insert the European Medicines Agency as a body with which the Government should seek to make arrangements in the event of a no-deal exit. The feeling was that that was rather too narrow in scope, and did not raise the wider issues about which other bodies might be appropriate for consideration. After discussion, we therefore came up with the proposal represented in Amendment 7. The second version of it on Report included a slightly longer list, but I have been persuaded that we should restrict the amendment to the list currently before your Lordships’ House. I would be grateful if it could be considered. I beg to move.

Baroness Fairhead: My Lords, the Government are grateful to the noble Lord, Lord Stevenson of Balmacara, who has worked tirelessly and constructively to find common ground between what he is aiming to achieve with this amendment and a position the Government can support.

As I said on Report on this issue on 13 March, the Government recognise that a deep and special relationship with the EU is likely to involve close co-operation with certain EU agencies and bodies. The Government also recognise that a close partnership with an EU body or agency may help to reduce non-tariff barriers to trade. That is why we will carefully consider how to develop such partnerships within the breadth of our future relationship with the EU.

There are six bodies listed in this amendment: the European Medicines Agency, the European Chemicals Agency, the European Aviation Safety Agency, the European Maritime Safety Agency and the two European networks of transmission system operators. The Government and the EU have already agreed, as expressed in the political declaration, to explore future co-operation with all of them.

The Government are working to find the best arrangement for the UK regarding other EU agencies and bodies. The decision to seek co-operation with an EU agency or body must be made only after careful consideration, bearing in mind the context of the UK’s overall aims for the future relationship and negotiations with the EU. The future of our relationship with EFSA, the European Food Safety Authority, and EUIPO, the European Union Intellectual Property Office, will be shaped by forthcoming UK-EU negotiations.

As we negotiate our future relationship with the EU, the Government are determined to agree ambitious provisions to help businesses protect their intellectual

[BARONESS FAIRHEAD]

property rights. Indeed, in the political declaration, the UK and the EU commit to establishing,

“a mechanism for cooperation and exchange of information on intellectual property issues of mutual interest”.

In this regard, the UK would seek an appropriate level of co-operation with the EU and relevant agencies, such as the EUIPO.

The UK has a long tradition of close collaboration with EFSA, which we greatly value and hope to continue in the future. We recognise the important work of EFSA in providing scientific advice and guidance, and believe it would be mutually beneficial for the EU and UK to continue to co-operate in the sharing of knowledge and information. A close relationship between EFSA and the UK would support the joint ambitions of the EU and the UK for food and feed safety. However, it would be unwise to stipulate in UK law exactly how we want to co-operate with the EU in these areas, given the implications it could have for the wider balance of rights and obligations we are seeking for the future.

The amendment in the name of the noble Lord, Lord Stevenson, therefore reflects the position set out in the political declaration. His constructive approach to this issue exemplifies the positive tone of many of the debates and meetings we have had with a great number of your Lordships over the last few weeks. The Government are therefore content to support this amendment.

Lord Stevenson of Balmacara: I am grateful to the noble Baroness for her kind words and, more importantly, for accepting the amendment as drafted. I commend the amendment to the House.

Amendment 7 agreed.

Amendment 8

Moved by Lord Stevenson of Balmacara

8: After Clause 13, insert the following new Clause—

“Convention about Ministers of the Crown legislating on devolved matters

- (1) Regulations made under section 1(1) by a Minister of the Crown may not normally make provision which would be within the devolved competence of a devolved authority unless—
 - (a) so far as they contain provision which would be within the devolved competence of the Scottish Ministers (within the meaning given in paragraph 7 of Schedule 2), the Scottish Ministers consent, or
 - (b) so far as they contain provision which would be within the devolved competence of the Welsh Ministers (within the meaning given in paragraph 8 of Schedule 2), the Welsh Ministers consent, or
 - (c) so far as they contain provision which would be within the devolved competence of a Northern Ireland department (within the meaning given in paragraph 9 of Schedule 2), the Northern Ireland department has given consent.
- (2) Regulations made under section 2(1) by a Minister of the Crown may not normally make provision which would be within the devolved competence of a devolved authority unless—

- (a) so far as they contain provision which would be within the devolved competence of the Scottish Ministers (within the meaning given in paragraph 7 of Schedule 2), the Scottish Ministers consent, or
- (b) so far as they contain provision which would be within the devolved competence of the Welsh Ministers (within the meaning given in paragraph 8 of Schedule 2), the Welsh Ministers consent, or
- (c) so far as they contain provision which would be within the devolved competence of a Northern Ireland department (within the meaning given in paragraph 9 of Schedule 2), the Northern Ireland department has given consent.”

The Deputy Speaker (Lord Rogan) (UUP): After Clause 13, Amendment 8, the noble Lord, Lord Stevenson of Bara—

Lord Stevenson of Balmacara: It is Balmacara. It means “the town from which the Macraes come”—Macrae being my mother’s maiden name. I thought the House might enjoy that little moment of clarity.

Amendment 8 in my name and that of the noble Lord, Lord Purvis of Tweed, comes from a concern that the regulatory power-making in the Bill as originally drafted would cause difficulties for the relationships that should exist between the UK Parliament and the devolved Administrations. There have been two developments since the original amendment went down. First, the continuing debate on a series of matters involving trade issues to be brought back to the devolved Administrations has yet to be resolved in discussions between the UK Ministers and devolved Administration Ministers. Also, the Healthcare (International Arrangements) Bill, which recently went through your Lordships’ House, was subject to an amendment that seemed to suggest that there was a requirement in most of the legislation coming forward, particularly this Bill, to reflect how, and on what basis, Ministers of the UK Parliament could engage with the devolved Administrations over how regulations should be framed and consulted on, and under what conditions consent would be given.

Since this seemed to involve a number of different issues, not just those related to trade, the noble Viscount, Lord Younger, kindly held a meeting at which we were able to discuss this in more detail, attended by myself, the noble Lord, Lord Purvis, and the noble and learned Lord, Lord Hope. I think we got a long way on that issue in trying to understand how these various matters came together. I think the broad position that affects all these issues is set out in the Scotland Act 2016 and in comparable primary legislation affecting Wales and Northern Ireland.

In respect of the possibility of having a convention that would echo that relating to regulations that will need to be made under the powers given under primary legislation, I think the noble Lord has something to say that will be helpful in resolving whether Amendment 8 is required. I beg to move.

Lord Purvis of Tweed: My Lords, I was interested to hear the clarification of the title of the noble Lord, Lord Stevenson. The House will not be interested, but my title of “Tweed” is because of the river, not because I have a penchant for tweed suits outside this place,

which most colleagues from England assume is the case. However, because my title is from the Tweed, because I am from the border and live on the border, and because I was a Member of the Scottish Parliament for the Borders, the legislative competence interaction on trade agreements is of significance, not just for Borderers but for the relationship with the devolved Administrations. I am therefore very happy to add my name to this amendment.

In so doing, I also recognise the patience of the noble Viscount, Lord Younger, in meeting us and hearing our case for the need for an extra level of clarification on the interaction of the areas where discussions continue with the devolved Administrations. In some areas, there is disagreement over where the legislative competences of areas that had been EU areas of legislation will lie, when they are repatriated, if we leave the European Union. As the noble Lord, Lord Stevenson, said, the Scotland Act's approach to devolution is that if those powers are not spelled out in the Act's reservations, they are recognised as fully devolved to the Scottish Parliament. This is about how the order-making powers in the Bill interact with those powers. Clarity on the areas of interaction between the devolved competences would be helpful.

Finally, clarity would be helpful in looking at those areas of legislative competence where there are ongoing discussions: agricultural support, organic farming, animal health and traceability, animal welfare, chemical regulations, state aid and food labelling. All are likely to be important not just for continuity agreements but for future trade agreements. Some of these issues are politically sensitive, so getting the required clarity on how they will be legislated for in trade agreements is important. It would be regrettable if the competences ended up in the Supreme Court for dispute; further clarification on current interaction is desirable. I know that the Minister will probably not be able to answer my questions entirely but I look forward to his response to this short debate. I hope he can add an extra level of clarification, which would be satisfactory at this stage.

5 pm

Lord Wigley (PC): My Lords, I too welcome the amendment. I apologise for taking so little part in the Bill's progress since participating at Second Reading. This intermittent pattern has been due largely to being stretched on Brexit matters across many different committees and calls.

I support the comments of the noble Lord, Lord Purvis, on the devolution situation. The position in Wales is different from that in Scotland because of the different natures of the devolution Acts—no doubt the Minister is well aware of those. However, similar issues can arise, particularly in the contexts of agriculture, procurement and competition law. Those areas are sensitive and there are strong feelings in the devolved regimes on the powers they can exercise. No doubt many other issues will arise.

I do not think that we can answer this matter by strict legislation. The most important thing by far is the attitude of Governments towards dealing with each other. It is important that, when issues arise and are flagged up at this end, something is done early

enough to get a constructive response from Cardiff or Edinburgh. Likewise, it is important that the devolved regimes are encouraged to flag up issues that arise, and that there is a mechanism to deal with them before they become polarised and unnecessarily political. To that extent, I believe that most of the work on this will have to be undertaken on a day by day, month by month basis after the legislation comes into force. Having said that, I support the amendment.

Viscount Younger of Leckie (Con): My Lords, I thank the noble Lord, Lord Stevenson of Balmacara, for moving Amendment 8 and for our fruitful discussions since Report, together with the noble Lord, Lord Purvis, and the noble and learned Lord, Lord Hope, who is not in his place at the moment. I hope to provide some extra clarity on the interaction between the UK Government and the devolved Administrations.

It might help if I summarise my understanding of the amendment's purpose. It would require the Government to seek the consent of the devolved Administrations when making regulations under Clauses 1 and 2. As we have said, it is the Government's intention always to consult and seek the consent of the devolved Administrations when exercising the powers in this Bill in areas of devolved competence. We want to form a trade policy that works for the whole of the UK. However, there are good reasons why we do not want to amend the Trade Bill either to extend the operation of the Sewel convention or to replicate the recent amendment to the Healthcare Bill, as proposed by the noble Lord.

Let me just touch on the Healthcare Bill. The noble Lord, Lord Stevenson, suggested during the debate on this issue on Report, on 13 March, that a recent amendment to the Bill strengthened the case for what is being proposed here. However, there is a significant difference, both between the powers in the two Bills and between the texts of the two amendments.

First, the concurrent powers in the Trade Bill allow for devolved Administrations themselves to legislate in areas of devolved competence. As mentioned last week, should the UK Government use the powers of the Trade Bill to legislate for the whole of the UK, it will be for the purposes of legislative efficiency, following consultation with the devolved Administrations. The Healthcare Bill does not provide for this: it does not delegate any powers to devolved Administrations. Introducing consultation requirements in lieu of a power for the devolved Administrations to legislate for themselves is understandable—but this clearly is not the case for the Trade Bill.

Secondly, the amendment to the Healthcare Bill introduced a requirement to consult the devolved Administrations, whereas Amendment 8 would require the UK Government to secure the consent of the relevant devolved Administration before legislating in areas of devolved competence. As is well recognised in your Lordships' House, to "consult" and to "secure consent" are very different concepts.

I turn to the Scotland and Wales Acts, which already enshrine the Sewel convention in legislation. I am happy to restate this Government's continued commitment to this convention in relation to all future primary legislation. However, it has been suggested that this

[VISCOUNT YOUNGER OF LECKIE]

amendment would put regulations under the Trade Bill in the same position as Westminster primary legislation under the Scotland and Wales Acts. It must be recognised that those provisions were passed in a very different context and in recognition of an accepted political convention relating to primary legislation. Moreover, as the Supreme Court has recognised, those provisions were carefully worded in a way that demonstrated Parliament's clear intention that they should not be justiciable.

This amendment, however, goes further by effectively proposing an extension of this convention to apply to secondary legislation. It does so in a way that does not reflect the language of the Scotland and Wales Acts provisions, which would risk making the term “not normally” into a legal test. As I stated on Report, I do not believe that it is the intention of this House to introduce new legal uncertainty to our statute book—especially when that could ultimately obstruct the programme of continuity that this Bill seeks to deliver, to the detriment of the UK as a whole.

I would like to touch now on Section 12 of the EU withdrawal Act and its interplay with the Trade Bill.

Lord Wigley: Does the Minister accept that the problem as seen from the devolved regimes is that, very often, consultation does not amount to very much indeed? That is why the word “consent” is very much more powerful. If consultation was something that was driven with the intention of having a meeting of minds, rather than just sending a message down and forgetting about it, there might be a better chance of getting that form of words to be applicable.

Viscount Younger of Leckie: The word “consultation” is well known and well respected. I would like to pick up on what the noble Lord said earlier about the fact that there is much interaction, and consultation, going on; and it generally works very well. I would also like to say how well it has worked in respect of Wales. It is a term that is well recognised and works well.

Turning back to Section 12, I am aware of the letter from the Scottish Government Cabinet Secretary, Mike Russell, which noble Lords have referred to in earlier exchanges and which raises a specific concern in the third paragraph about the effect of Section 12 regulations on the Scottish Government's ability to exercise powers in the Trade Bill. I am disappointed that, unlike the Welsh Government, the Scottish Government have not seen fit to recommend consent to the Trade Bill. I would like to make it clear that any frameworks-related restrictions on the devolved Administrations' use of the powers apply only if a Section 12 regulation is first in place.

Due to the collaborative and constructive work that is taking place to establish UK common frameworks once we leave the EU, the UK Government have not yet identified a need to bring forward any Section 12 regulations. The Government have committed to work with the devolved Administrations in the preparation of any Section 12 regulations that would maintain existing frameworks. This was set out in the Inter-governmental Agreement on the European Union (Withdrawal) Bill and the Establishment of Common

Frameworks, which ensures that those regulations are subject to scrutiny by the devolved legislatures and the UK Parliament.

In addition, I can reassure your Lordships that, were a Section 12 regulation in place that would restrict the power of the devolved Administrations to use Clauses 1 and 2, the Government's commitment always to consult would remain. As we have repeatedly said, the UK Government remain committed to the principle of not legislating in devolved areas without seeking the agreement of the respective devolved Administrations. The UK Government have been working productively and collaboratively with the devolved Administrations on a number of fronts, including the development of common frameworks. As a result of this work, the UK Government and the devolved Administrations recently agreed to this joint statement:

“On the basis of the significant joint progress on future frameworks, and the continued collaboration to ensure the statute book is ready for exit day, the UK Government has concluded that it does not need to bring forward any section 12 regulations at this juncture.

On this basis, the Scottish and Welsh Governments continue to commit to not diverging in ways that would cut across future frameworks, where it has been agreed they are necessary or where discussions continue.

UK Government officials are working with devolved administration officials to revise the Common Frameworks analysis and take into account progress on framework areas since March 2018. We anticipate publishing a further iteration of this analysis shortly”.

To conclude, I hope that I have demonstrated that the amendment is unnecessary. The Government are committed to not normally using the powers in the Trade Bill to legislate in areas of devolved competence without the consent of the relevant devolved Administration—and certainly not without first consulting them. I believe that this is proportionate and appropriate to the powers as they currently stand, which have received consent from the National Assembly for Wales, as I said earlier. If passed, this amendment would depart significantly from this. I therefore ask that Amendment 8 be withdrawn.

Lord Stevenson of Balmacara: I am very grateful to the Minister for his words and for being so explicit about the conditions under which powers can be exercised and how they would be affected, both by the current legislative framework and by Amendment 8 if it were inserted into the Bill. Having said that, however, your Lordships' House has heard from the noble Lords, Lord Purvis and Lord Wigley, that these are matters of substantial importance in general terms, and particularly when viewed from the perspective of the devolved Administrations.

I hope that behind the words issued today there is a real and deep commitment across the whole of government to make sure that the lessons from the unfortunate experiences in the withdrawal Bill, now Act, and not repeated in this legislation—but obviously touching on it—will be learned in a way that will mean that we can make progress together. In that context, the Government getting their act together and issuing another statement about these matters as early as possible would be a considerable help to all concerned.

However, the point is well made that there is a well thought-through argument in the Bill, which bears exactly on the issues that the amendment sought to

arrange. The commitment given openly by the Minister at the Dispatch Box, confirming that it is the Government's intention to ensure that full, meaningful consultation should be the mode adopted and that there would always be a requirement to obtain consent where possible from the devolved Administrations, makes it very clear that the amendment is not required. On that basis, I beg leave to withdraw it.

Amendment 8 withdrawn.

5.13 pm

Motion

Moved by Baroness Fairhead

That the Bill do now pass.

Baroness Fairhead: My Lords, I request the indulgence of the House to say a few words to express my sincere gratitude. I begin by thanking all those who have participated in our debates on this Bill. As has already been mentioned, this is the first Bill I have steered through your Lordships' House. It has been a rewarding and constructive—although, I have to confess, at times challenging—experience. Your Lordships have spoken eloquently and with great knowledge about the changes you thought necessary to improve key provisions of this Bill—for example, the need for post-implementation assessment of continuity trade agreements, maintaining UK levels of protection when the power in Clause 2 is used, and clarifying the scope of the Clause 2 power in relation to civil penalties. The Government listened, agreed and responded, and I have no doubt whatever that this Bill is improved as a result. A further important change was the confirmation that the chair of the TRA would be subject to a pre-commencement hearing by the International Trade Committee.

I turn to individual contributions, starting with my noble friends Lord Bates and Lord Younger. They have been towers of strength, their support has been invaluable, and I am hugely in their debt. I also pay particular respect to the noble Lords who have set aside some of their valuable time over the past few weeks to meet me and my colleagues and discuss these important issues, so that together we could ensure that the Bill reflected the genuine intent of this House. I thank in particular the noble Lords, Lord Stevenson of Balmacara, Lord McNicol of West Kilbride and Lord Grantchester; and the noble Lords, Lord Purvis of Tweed and Lord Fox, and the noble Baroness, Lady Kramer. I also thank my noble friends Lady Neville-Rolfe, Lady McIntosh of Pickering and Lord Lansley, and my noble and learned friend Lord Mackay of Clashfern. I thank the noble and learned Lord, Lord Judge, the noble Lords, Lord Pannick, Lord Wilson of Dinton and Lord Beith, the noble Baronesses, Lady Jones of Moulsecoomb, Lady Henig, Lady Brown of Cambridge and Lady Deech, and the noble Earl, the Earl of Kinnoull, for their constructive approach. In particular, I single out the noble Lord, Lord Stevenson, for his tireless efforts and his contribution to achieving a better Bill. My noble friend Lady McIntosh has already referred to his charm and graciousness; I would add his effectiveness and his integrity.

This has been very much a team effort. Behind the scenes, the extraordinary Bill team have put in an unbelievable amount of effort. My thanks go to them, to my private office, and to all officials who have provided support. They have taken on an exceptional workload and have demonstrated huge expertise and commitment—but I have to give a special award to the Bill manager, Suzanne Greaves. She has been spectacular. Finally, I thank the doorkeepers, the clerks and all the staff, because their patience and professionalism has been unwavering.

To conclude, I have now seen at first hand the value that I have long known that this House adds to the legislative process. There may be aspects of the Bill as it leaves this place with which the Government do not agree, but I really believe that your Lordships can be justly proud, and we should all be proud, of the contribution made here to this important piece of legislation. I am immensely grateful to you all.

Lord Stevenson of Balmacara: My Lords, it usually falls to me to embarrass Ministers, not the other way round. I felt myself blush just then, and I hope it was not caught too closely on television—but I thank the Minister very much indeed for her comments.

Leading on a Bill in your Lordships' House, whether in a government position or in opposition, is an honour and a privilege—but those who have done it before will know what I mean when I say that it can take over your life. It is not just the bad dreams and the nightmares of waking up and thinking, “Did I actually say that?” or “Did I forget that amendment?”; it is all the other work that goes with it: meetings with third parties who feel that they should participate in the Bill, and in our case—this may not be true of the Government—talking to our colleagues in the Commons, and to other groups in this House that have to be involved. It is well known that it is simply not possible to improve a Bill unless those of all parties, and none, join together to see what the public interest requires.

There are also meetings with the clerks, and Back-Bench liaison on our side, and voting strategy meetings. There is a lot going on, and that does not get any less as we come towards the end of the process. It gets to the point where you eat, sleep and dream the Bill. That is fine when it takes six weeks, but it is not fine if it takes six months, as this Bill has done, to get through to its final process.

There are pluses too. Working on a Bill means working intensively with colleagues. I do not just mean my noble friends Lord Grantchester and Lord McNicol, and our extraordinarily hard-working legislative assistant Ben Wood; it also means working with the Bill team. I agree that all credit is due to Suzanne Greaves and her team, because they have been fantastic to us as well as to Ministers, giving us information and responding, to a very high standard, to often ridiculous requests at very short notice. Ministers, including the noble Lord, Lord Bates, and the noble Viscount, Lord Younger, have been excellent at the Dispatch Box, both in what they have said but also in saying it very quickly. That is, I believe, often the hallmark of a good Minister.

I am sure I speak for the whole House when I congratulate the noble Baroness, Lady Fairhead, on what is, extraordinarily, her first Bill. She has it brought

[LORD STEVENSON OF BALMACARA] it to the House with consummate skill and considerable confidence. She ensured that we met regularly outside the Chamber for the meetings we have referred to, which were robust but extremely good and fruitful. We made progress and we were given all the information we needed.

We did not always agree—the Minister has acknowledged that—but where we differed, we did so only after all avenues for compromise had been explored and we proceeded on the basis of mutual respect for each other’s point of view. In doing that, we upheld the best standards of this House.

Lord Purvis of Tweed: My Lords, at this awards ceremony I am delighted to be nominated for best supporting actor. I, too, thank the Members of the Government Front Bench for their patience and their willingness to engage. The Minister said this was the first Bill she has taken through. This is the first time I have been on a Bill’s scrutiny team, although I have had the privilege of taking through a Private Member’s Bill.

The Minister and I now know more about World Trade Organization terminology than we ever wanted to know. We hope it will become useful in the future. The Bill arrived in this House eight months ago. It started its considerations 15 months ago and the Trade Bill 2017 is now the Trade Bill 2017-19. That demonstrates that it has been a long process. The Minister said in her speech at Second Reading on 11 September that this was merely,

“fundamentally a pragmatic and, in most parts, a technical Bill”.—
[*Official Report*, 11/9/18; col. 2204.]

We have had to scrutinise many technicalities and the Minister has been pragmatic in the way she has responded. She also said that the Bill was about continuity and certainty. These two things have been lacking on Brexit over the last months. On this Bill we have been unaccustomed to having such a large attendance in the House as there is now; given the next Statement on Brexit preparedness, I am sure it is in the context of this Bill having to be in place to provide some of that preparedness.

In thanking the Government Front Bench, and having worked closely on a cross-party basis with the noble Lords, Lord McNicol and Lord Stevenson, and others, I should also mention that I have had the stalwart support of my noble friends Lady Kramer and Lord Fox, and the unsung heroes of our Benches, Andrew Burrell and Elizabeth Plummer.

This is now a better Bill having gone through this House. We sought to enhance parliamentary power in setting the negotiating objectives and a mandate, and that is now in the Bill. We sought that consultations with the devolved Administrations would be enhanced, and that is now in the Bill. We said that there should be parliamentary approval of these continuity and ongoing agreements, and that is now in the Bill. Participating in a customs union is now in the Bill. A mobility framework for the movement of people is now in the Bill. Non-regression of standards—important across different areas from animal welfare to food standards—is now in the Bill.

The Minister said that this was a rewarding, constructive and challenging experience for her. In many regards she has met that challenge and I commend

her for it. She has certainly been constructive in how she has engaged with us. The rewarding aspect will be how she can persuade her colleagues at the other end of this building to ensure that all the wise amendments that this House has passed are not overturned. We will have to see how she does on that business. If she does it, I commend her for it.

Bill passed and returned to the Commons with amendments.

Brexit: No-deal Preparations

Statement

5.24 pm

The Minister of State, Department for Exiting the European Union (Lord Callanan) (Con): My Lords, with the leave of the House, I shall now repeat in the form of a Statement the Answer given in the other place by the Parliamentary Under-Secretary of State for Exiting the European Union, the Member for Daventry. The Statement is as follows:

“The Government have always been clear that leaving the European Union without a deal is not an outcome that we want. Last week Parliament voted against leaving with no deal, signalling a clear majority against this outcome. However, the legal default is that the UK will leave the EU without a deal unless an alternative is agreed. Any agreed extension does not change this fact. As well as not changing this fact, a longer extension would entail the holding of European Parliament elections in the UK, and, as the Prime Minister has stated in her letter to Donald Tusk, we do not believe that it would be in either the UK’s or the EU’s interests for the UK to hold these elections.

The Government have undertaken significant actions to prepare for a potential no-deal scenario. We have published 450 pieces of no-deal communications since October 2018, including information on reciprocal healthcare arrangements with the EU, driving in the EU after EU exit, and even how to take your pet abroad. We have contacted 150,000 businesses that trade with the EU to help them get ready for no-deal customs procedures, and held meetings, briefings and events with stakeholders across the economy, including around 300 engagements last month alone. We responded to stakeholder feedback on making sure that communications are clear by updating around 1,300 pieces of GOV.UK content, based on their input. More than 11,000 people are working on EU exit policy and programmes across government. We have launched a public information campaign, including information on GOV.UK, to help citizens and businesses prepare for leaving the European Union. TV adverts started today, while radio, press and outdoor poster advertising is ongoing. Furthermore, the Treasury has provided £4.2 billion for EU exit preparations, including for a no-deal scenario, and the Home Office has been allocated £480 million to ensure that it is fully prepared.

Getting ready for this scenario depends not only on government action but on action from a range of third parties, including businesses, individual citizens and the European Union itself. Despite government mitigation, the impact of a no-deal scenario is expected to be significant in a number of areas.

Leaving the EU with no deal is the legal default until Parliament passes a deal or agrees an alternative. We are focused on achieving that, but until it has been achieved we will continue to prepare for no deal and would advise businesses to do the same”.

5.26 pm

Baroness Hayter of Kentish Town (Lab): My Lords, I was about to say that the preparations are a bit like moving the proverbial deckchairs around the “Titanic”. The amount of money that the Minister has just mentioned sounds as if they were gold-plating them before they sank. We know that a no-deal exit would, at the very least, need a longer lead-in for business, which is currently in despair about all this dithering. Even with a no-deal exit business would need time to prepare for the new tariffs, checks, rules, permits and so forth. As we heard earlier today, however, that would clearly be under another Prime Minister, since Mrs May said that she would not agree to any extension beyond 30 June, and this afternoon Mr Tusk left open the possibility of a longer extension if the deal does not go through and we faced no deal.

We are in this position because the Government keep offering only either the Prime Minister’s failed deal or no deal, both of which have been rejected by the Commons. So we have to ask again: given the diplomatic and political crisis to which this Prime Minister has led the country, is it not now time to find a third route—to work to find a deal that is acceptable to Parliament and ends this no-deal farce?

Lord Callanan: Well, of course we have been endeavouring to find a deal acceptable to Parliament. We have spent two years negotiating it. But I repeat that it is the legal default, and until there is another deal in place, or another decision is taken, we will continue to prepare, because that is the responsible thing to do. I remind the Labour Party that it voted against the deal we have negotiated, and so far we have seen no constructive suggestions from the party as to what would replace it. I think Labour has said that it agrees with the withdrawal agreement, while continuing to vote against the deal.

Baroness Ludford (LD): First, can the Minister tell us why the Government are not pursuing the route they said last week that they would follow, notably in the words of the Deputy Prime Minister, Mr Lidington. He said that if Parliament had not agreed the deal by today, a long extension would be sought. Is not the Prime Minister siding with the Brexiters and sticking with her over-the-cliff strategy, rather than trying to avoid it?

Secondly, the Government say that any agreed extension would not change the legal default of leaving the EU without a deal, presumably on 29 March. Surely if there was an extension, we would remain in the EU under EU law. If there was no SI to change the exit date, we might lack a domestic legal framework to give effect to our EU membership obligations. Can the Minister confirm whether my legal understanding is correct that since EU law is supreme over domestic law, we would still be in the EU if there is an extension?

Lord Callanan: If there is an extension, we would still be in the EU, but if we did not change our domestic law, which states that the European Communities Act comes to an end, and the legal snapshot would take place, we would clearly be in contravention of our legal obligations for being in the EU.

Lord Bridges of Headley (Con): My Lords, given that the EU has said that it will not grant a short extension unless the deal is passed, and given that the Prime Minister has said that she is opposed to a long extension, is it therefore the case that if Parliament rejects the deal next week, the Government believe we should leave without a deal?

Lord Callanan: I think we will have to wait to see what happens next week. It remains our view that Parliament should pass the deal because we think it is the best deal available, but we will await the outcome of the Council this weekend before commenting further.

Lord Wigley (PC): My Lords, is the Minister aware that a Paris political website is reporting that President Macron is not minded to support this deal because of the lack of clarity? That being so, we would be crashing out a week on Friday. Do the Government believe that that is practical, given what they have already said about the need for more time?

Lord Callanan: It is difficult for me to comment on rumours on the internet or on Twitter. I would be surprised if that was the case, but any EU member state can veto an extension and if one does, as I have said, the legal position under Article 50, as voted for by Parliament, and under the EU withdrawal Act, voted for by this Parliament, is that we would leave on 29 June.

Lord Robathan (Con): My Lords, the House of Commons has twice rejected the Prime Minister’s deal, so it obviously thinks the deal is a bad deal. Does it remain the case, as it says in the Conservative manifesto, which is not yet two years old, that no deal is better than a bad deal?

Lord Callanan: We do not believe that our deal is a bad deal. We think it is a good deal, and we continue to hope that the House of Commons will agree to it.

Lord Naseby (Con): Is my noble friend aware that the key element is the preparation by British industry and commerce? Is he further aware that I had the privilege of representing part of the East Midlands? I have spoken to industrialists, hauliers and other traders in that part of the UK. All of them many months ago realised there was a prospect of no deal. They have not waited for Her Majesty’s Government. They made those preparations, and any of us who have ever worked in industry or commerce would have done exactly the same. What they are waiting for is a decision, and they urge Her Majesty’s Government and Her Majesty’s Opposition somehow to make a decision so that they can get on and develop industry and commerce in this great country of ours.

Lord Callanan: My noble friend make a very valuable point. Business is getting on with things. Businesses are used to disruption and to learning how to make good. We have contacted about 150,000 businesses to make them aware of the possibility of no deal, but clearly we want to provide certainty and we believe that that would be best provided by agreeing the deal.

Lord Bilimoria (CB): Does the Minister agree that, given that the House of Commons has made it very clear that no deal is not an option and that this House overwhelmingly agrees with that, if we are faced with that prospect next week, there will be no other option but for the House of Commons to revoke Article 50?

Lord Callanan: No, I do not agree with the noble Lord. This House has resolved against no deal, as has the House of Commons, but even I am getting bored of hearing myself repeat that that does not change the legal default. I do not believe that there is a majority in the House of Commons to revoke Article 50, and this Government certainly will not do so.

Lord Purvis of Tweed (LD): My Lords, I have received the information that businesses have received and to which the Minister referred. The information from HMRC issued this morning at 8.33 am states that at 11 pm on 29 March 2019 the UK will no longer be a member of the EU. This is the basis on which businesses are asked to be prepared. The very first thing that HMRC asks businesses to have, which is necessary for them to continuing trading the day after, is an economic operator registration and identification number. The most recent official figures from the Government suggested that only one-sixth of British businesses had that number. Will the Minister update us on the current level of preparedness of British businesses? If the position is not that 100% of British businesses have that registration, if we crash out next Friday, not all British businesses will be capable of trading the day after.

Lord Callanan: I do not have the up-to-date figures in front of me, but my information is that the uptake of these ERO numbers, as they are known, has increased markedly in recent days. This applies only to businesses that would need them, which exported only to the EU and did not already export outside it. I do not have the up-to-date figures, but I know there has been a sharp uptake in applications and the granting thereof.

Lord Tebbit (Con): My Lords, could my noble friend remind me—

Baroness Goldie (Con): My Lords, I am sorry. The noble Lord was not in for the repeat of the Statement.

Lord Cormack (Con): My Lords, I stress that I very much hope the deal will be accepted in the other place. If it is not, given the overwhelming view in both Houses that we should not leave without a deal, would it not then be sensible to use the delay requested by the Prime Minister to have some indicative votes in the other place and come together on a deal that can command parliamentary support? I hope that is not

necessary—I support the Prime Minister—but if the Commons rejects it again, that would surely be the prudent way forward.

Lord Callanan: That would depend on whether the EU was prepared to agree an extension in such circumstances. If so, we would need to table some secondary legislation in both Houses, on which there will be further opportunity for discussion in this House.

Lord Campbell of Pittenweem (LD): My Lords, absent from this Statement is any sense of contrition or responsibility that we have been brought to circumstances in which we could crash out of the European Union in a matter of days. Do the Government not accept and understand their responsibility in this matter?

Lord Callanan: Yes, the Government accept their responsibility in this matter. We negotiated what we thought was a good deal but have so far been unable to convince the House of Commons of this.

Spring Statement

Motion to Take Note

5.37 pm

Moved by Lord Bates

That this House takes note of the economy in the light of the Spring Statement.

The Minister of State, Department for International Development (Lord Bates) (Con): My Lords, the Chancellor gave his Spring Statement last week which showed that the economy remains robust, despite lingering uncertainty around Brexit. It has grown for nine consecutive years, creating 3.5 million new jobs since 2010, and is now delivering the fastest wage growth in over a decade.

The Office for Budget Responsibility expects growth to continue at a rate of 1.2% this year, 1.4% in 2020 and 1.6% for each of the following three years. It also expects to see 600,000 more new jobs and wage growth of 3% or higher—that is, above inflation—in every year of the forecast.

There was positive news on public finances as well. Borrowing this year will be just 1.1% of GDP, £3 billion lower than forecast at the Autumn Budget. This fall will continue, from £29.3 billion in 2019-20 to £13.5 billion in 2023-24, the lowest level in 22 years.

This means that we remain on track to meet our fiscal targets early, with the cyclically adjusted deficit at 1.3% next year, falling to just 0.5% by 2023-24, and with debt lower in every year than forecast at the Budget, falling to 82.2% of GDP next year, then 79%, 74.9%, 74% and, finally, 73% in 2023-24.

It increases headroom against our fiscal mandate in 2020-21 from £15.4 billion at the Autumn Budget to £26.6 billion today.

We have rebuilt the public finances since the shock of the financial crash and are now in a strong enough position to bring austerity to an end. Last year, the

Prime Minister announced an additional £34 billion of funding per year for the NHS—the single largest cash commitment ever made by a peacetime British Government. In the most recent Budget, the Chancellor set out an indicative five-year path of 1.2% per annum real terms increases in day-to-day spending on our public services.

Later this year, the Chancellor will launch a three-year spending review before the Summer Recess to be concluded alongside the autumn Budget. It will set departmental budgets to reflect the public's biggest priorities, such as schools, police and the environment, while maximising value for taxpayers' money with discipline and a focus on high-quality outcomes. If we leave the EU with a deal, and secure an orderly transition to a future economic partnership, the Government will be able to reduce the level of fiscal headroom needed for no-deal planning, giving us real choices in the spending review.

Before then, however, some pressing challenges needed addressing. First, in response to head teachers' rising concern that some girls are missing school due to an inability to afford sanitary products, the Chancellor announced the provision of free sanitary products in secondary schools and colleges in England to be rolled out during the next school year. Secondly, he announced a £100 million fund to tackle the recent surge in knife crime. It is a tragedy that, for too many, this money will arrive too late, but it will go some way towards meeting the challenges ahead.

Ahead of the spending review, the Home Secretary will work with the police to consider how best to prioritise resources, including newly funded manpower to ensure a lasting solution. Alongside support for public services, the Government have made sure to invest in infrastructure, skills and technology—the fundamentals that boost productivity and living standards. To supplement the largest ever investment in England's strategic roads, the biggest rail investment programme since Victorian times, and a strategy for delivering a nationwide full-fibre network by 2023, the Chancellor made a series of further pledges. These included an announcement of up to £260 million for the borderlands growth deal.

But raising our productivity is not just about investing in physical capital; it is about investing in people too. To help small businesses take on more apprentices, the Government are accelerating the reforms announced in the Budget of 2018, bringing forward a £700 million package this April. We want to drive productivity across the income distribution, with the ultimate objective of ending low pay in the UK. So we have asked Professor Arin Dube, a world-leading expert in the field, to undertake a review of the latest international evidence on minimum wages to inform future national living wage policy after 2020. This study will support our extensive discussions with employer organisations and trade unions over the coming months.

As we move forward, we are keeping the interests of businesses as a high priority, and that means giving them access to the best talent, including from overseas. From June, we will begin to abolish the need for paper landing cards at UK points of entry for citizens from the United States, Australia, New Zealand, Canada,

Japan, Singapore and South Korea. They will be able to use e-gates at our airports and Eurostar terminals, alongside the EEA nationals who can already do so. From this autumn, we will completely exempt PhD-level roles from visa caps—a signal to the best and brightest across the world that we want them and welcome their expertise in the United Kingdom. Having the best people in Britain will help us remain at the forefront of the technology revolution that is transforming the global economy. To maintain our edge, the Chancellor announced a £79 million investment in a new super-computer to be hosted at Edinburgh University. We are also allocating £45 million of NPIF funding to the European Bioinformatics Institute and investing £81 million in a new extreme photonics centre in Oxfordshire.

Innovation requires careful handling by Governments, and a fair and forgiving regulatory environment. Nowhere is this more important than in the digital world, where we need to ensure a level playing field that fosters innovation, and where the giants pay their fair share. To this end, the Chancellor asked Professor Jason Furman, Barack Obama's former chief economist, to review competition in the digital market. His report was published last week, and the Chancellor has already taken the first step in response, asking the Competition and Markets Authority to undertake a market study of the digital advertising market as soon as possible.

We must adapt to the challenges of a changing world, and that extends to the environment as much as the economy. Despite what some say, it is not the case that these are competing concerns. The UK's 1,500 pollinator species, for example, deliver an estimated £680 million of annual value to the economy, making an obvious case for protecting the diversity of the natural world. Therefore, following consultation, the Government will use the forthcoming environment Bill to mandate biodiversity net gain for development in England, ensuring that the delivery of much-needed infrastructure is not at the expense of the birds and the bees, which help fill the air with song, and our plates with food.

Of course, climate change is our biggest environmental concern. The UK is already leading the world in this regard, reducing the carbon intensity of our economy faster than any other G20 country. Last week, the Chancellor set out plans that demonstrate a commitment to maintain this progress. First, we will publish a call for evidence on whether all passenger carriers should be required to offer genuinely additional carbon offsets, so that customers who want zero-carbon travel have that option. Secondly, we will help small businesses cut their carbon emissions and their energy bills, with a call for evidence on the business energy efficiency scheme. Thirdly, we will publish proposals to require an increased proportion of green gas in the grid, to advance decarbonisation of our mains gas supply. Finally, we will introduce a future homes standard, mandating the end of fossil-fuel heating systems in all new houses from 2025.

There will be many new houses. One of the Chancellor's biggest motivations is to restore the dream of home ownership to millions of younger people. He has set out a five-year, £44 billion housing programme to raise annual housing supply to 300,000 by the mid-2020s. This Government have also abolished stamp duty for

[LORD BATES]

thousands of first-time buyers and introduced planning reform to release land in areas where the pressure is greatest. The Chancellor built on this further last week, announcing a new £3 billion affordable homes guarantee scheme to support delivery of around 30,000 affordable homes. In addition, he announced £717 million from the Housing Infrastructure Fund to unlock up to 37,000 new homes on sites in west London, Cheshire, Didcot and Cambridge, near some of the best jobs in the country.

It all means that we are stiffening the sinews of this economy. We are transforming our infrastructure, investing in innovation, and sharpening our skills. These are fundamentals of economic and personal growth, and it means that our grasp of the opportunities that lie ahead of us can be better met and reached. I commend this Statement to the House.

5.48 pm

Lord Tunncliffe (Lab): My Lords, the Chancellor set out to make a Spring Statement that did not constitute a fiscal event. This is a slightly strange objective for a Chancellor of the Exchequer, but one which he achieved, with the director of the Institute for Fiscal Studies commenting:

“We should not complain. One fiscal event a year is plenty”.

However, while the Chancellor may have cleared his own rather low bar, this Statement marks a missed opportunity. He did little to instil confidence in either the Government’s handling of Brexit or their claim that austerity has come to an end. As we have grown to expect, despite some limited additional funds and the launch of several consultations, he failed to tackle the big issues of the day. Like the Prime Minister, he kicked the can down the road.

Some may say that this is hardly a surprise, given that this Spring Statement was delivered against the backdrop of Brexit uncertainty. Indeed, with the House of Commons having convincingly rejected the Prime Minister’s withdrawal agreement for a second time the previous day, Mr Hammond delivered his speech to an impatient Chamber, with MPs more interested in voting to oppose a no-deal outcome.

The Chancellor was clear that the outlook for the economy was premised on an orderly Brexit. He warned that performance will meet expectations only if MPs pause, reflect and fall into line by backing Mrs May’s deal at a third time of asking—whenever that may be. To bring the point home, he threatened that this summer’s spending review could be delayed in the event of Britain crashing out without a deal in place. This is a worrying state of affairs, given the many hours spent debating statutory instruments in the name of ensuring life goes on after a no-deal Brexit.

Businesses up and down the country will have tuned in, expecting answers to the big questions. But, as has become customary under this Government, they were left with less certainty about the future rather than more. It is no secret that business confidence is low, that investment is falling and that jobs have unnecessarily been put at risk. In his speech, Mr Hammond claimed that by backing the withdrawal agreement, a “deal dividend” would bring about a,

“recovery in business confidence and investment”.—[*Official Report*, Commons, 13/3/19; col. 347.]

That is a clear acknowledgement of the problems the economy faces as a result of the Prime Minister’s botched negotiations.

Thanks to Mrs May’s red lines, however, and her Ministers’ failure to grip the detail of Brexit, much of the damage has already been done. Our manufacturing sector is struggling. Numerous employers, large and small, have announced job losses or relocations. Many food producers are in despair as they simply do not know whether they will be able to fill the shelves in a fortnight’s time. It is little wonder that the director-general of the Confederation of British Industry remarked that,

“this is no way to run a country”.

While the Chancellor tried his best to present the Office for Budget Responsibility’s economic outlook as a success story, the truth is that it is anything but. This Government have presided over the slowest economic recovery since the 1920s. The deficit has not been eliminated, despite the previous Chancellor promising to achieve that years ago. Real wages are still lower than they were 10 years ago and, according to the OBR:

“Average earnings growth remains below the rates typical before the financial crisis”.

Household debt is plugging the gap, with debt relative to income expected to increase over the forecast period. While the Prime Minister and Chancellor are living on borrowed time, too many households are relying on borrowed money.

Last week, the OBR revised GDP growth down to a level consistent with the European Commission’s winter forecast—the same one that suggests that the UK will languish at the very bottom of the European league table in future years, even in the event of a soft Brexit. Let us be clear: 1.2% annual growth is far below what our economy is capable of. If that is all that is realised, the Government will have failed in their duty to unlock the country’s potential.

Ministers are merely storing up problems for the future. Nowhere is this truer than in the Chancellor’s announcement of £100 million for police overtime to tackle knife crime. That amount covers just a fraction of the £2.7 billion of real-terms cuts in direct government funding to police forces since 2010.

Not enough is being done to future-proof our economy. Britain’s infrastructure ranks bottom in the G7 for quality, and the rate of public investment is among the lowest in the OECD. Despite this, planned public sector investment has been cut. What possible justification can there be for that? And, while the Chancellor may have mentioned the environment this time around—something he failed to do in his Autumn Budget—all we were promised are consultations and reviews, rather than action to deliver green jobs and growth.

The biggest disappointment is that, despite the warm words of the Prime Minister and the Chancellor, austerity is not over. While limited pots of money have been made available for certain projects, any major spending commitment has been postponed until the spending review at the earliest. The can has been kicked again. Even if the Government come good on

their promises to end austerity, it will have taken a full year for Ministers to have taken their first tentative steps. That pace is simply unacceptable. It is not what was promised to hard-working people across the country.

At the same time as the Government's action on tax avoidance falls well short of expectations, benefit claimants have been told that the cruel benefit freeze will continue for a fourth year. Ten million families will have lost an average of £420 a year as a result, exacerbating existing issues with in-work poverty and high rents. Concerns about universal credit continue to be raised by claimants and charities alike, yet there is no mention of the scheme, or further measures to rectify it, in the Chancellor's speech.

Something needs to change, and not just the Chancellor's approach to these important Statements. The Government's priorities are wrong. Their inability to address the imbalances in our economy is stifling too many people's life chances. Real change is needed between now and the Autumn Budget to ensure that departments have the money they need to deal with the many pressing non-Brexit issues facing the country, to ensure that legitimate concerns are listened to and acted on, and to restore faith in our democratic system. This will mean listening to local councils, which are struggling to provide services to local communities, and to schools, where teachers are having to pay for supplies out of their own pockets, and it will mean taking action on the other pressing challenges we face, be it a shortage of affordable social care, problems in prisons and a failing probation service, or rising poverty and homelessness.

As my noble friend the Leader of the Opposition has observed on a number of occasions, Brexit seems to have brought the usual business of government to a halt. Our hopes for future fiscal events, therefore, are not very high. That is why we will continue to set out our alternative approach to managing the economy, as my noble friend Lord Davies of Oldham will do in his closing remarks. In the meantime, this debate provides an opportunity for the Government to begin the listening exercise I referred to. This House has a wealth of experience. The Chancellor and his Ministers would be well advised to listen to advice and act accordingly.

5.57 pm

Lord Shipley (LD): My Lords, I remind the House that I am a vice-president of the Local Government Association. I thank the Government Chief Whip for enabling us to have this debate in the Chamber. Given the importance of Spring Statements it is the right place, even though on this occasion the economic outlook is so full of uncertainties.

In the autumn, the Chancellor declared the end of austerity, but he protected only the National Health Service, defence, and the international aid budget. A new forecast by the Office for Budget Responsibility meant that he could, for example, have spent more to help low-income families this spring by ending the five-week waiting time for universal credit, which just reinforces the feeling among claimants that the state does not care, and ending the benefits freeze, which is causing greater poverty for many families a year early. The Resolution Foundation has shown how the bottom fifth of families will be £100 worse off this year when the top 20% will be £280 better off.

For just £1.4 billion, the Chancellor could have helped those who need a bit more money the most. Yet the Government seem unwilling to redress the balance of social and financial inequalities, so there is no significant new revenue funding for public services, which impacts hardest on those who depend on those public services. There is no confirmation of the spending envelope for the forthcoming spending review, nor a date for it to take place. And now we know that, in growth terms, we have one of the weakest of the advanced economies. Growth is forecast this year to be down to 1.2% from 1.6%.

The Chancellor was right to warn of the economic damage a no-deal Brexit would cause, but wrong to suggest that the Government's deal is the only alternative. As the Treasury Select Committee has demonstrated, there is no "deal dividend" because the Office for Budget Responsibility has already factored one into its forecasts. Anyway, the best deal dividend would be to remain in the European Union—without that, private sector investment will fall.

It is wrong in principle to let austerity continue for unprotected government departments, as the Chancellor has decided. Current spending plans will not repair the crumbling nature of our public services and waiting for the spending review later this year is not enough. Demand for local government services—which represent one-quarter of public spending—is going to rise faster than the income that councils can derive from council tax and business rates. The Government need to address this fundamental problem.

In addition, they must get the fair funding review right to ensure adequate redistribution from richer areas to poorer ones where people are more dependent on public services. They also need to think seriously about the future of business rates as a tax because they may no longer be fit for purpose, not least because of the difficulties experienced by the retail sector in the face of digital competition. Surely the time has come to examine more fully the case for land value taxation, which could overcome some of the current problems of business rates and enable more decisions on tax raising to be taken at a local level—for example, a tourist tax. A number of councils want to look at the potential of this, and should be empowered to do so.

It is the role of a Spring Statement to review the capacity of our taxation system to raise the money needed fairly and efficiently. I have concluded that we need a national debate on how public services should be funded, both locally and nationally. In my view—as I have said—local councils need more tax-raising powers. It has been estimated that there will be an overall funding gap of £3.1 billion next year, which could rise to £8 billion by 2024-25. The pressures are particularly acute in schools, policing, adult social care, children's services, homelessness support and neighbourhood services. It is a lengthy list.

The Government must understand better than they appear to the impact of an ageing population, which will increase demand for adult care year by year without the resources increasing to match it. This year nearly all councils are raising council tax—three-quarters by more than 2.5%—and nearly all are increasing fees and charges. The Government have failed to explain

[LORD SHIPLEY]

why they are pushing extra tax raising to a local level on services such as adult social care away from national taxation, which historically has funded it. It is vital that the Government use the spending review to deliver truly sustainable funding for local government.

The Chancellor announced £100 million for the police to combat knife crime. Youth services generally have been cut heavily over recent years and now we find that the National Citizen Service is to have a £10 million rebranding. Yet just 12% of eligible teenagers take part in this scheme, which was only recently introduced. Would not the money be better spent on council-run youth services, which have seen a 52% reduction in funding since 2010?

On housing, the Chancellor claimed that the Government were on track to deliver their target of 300,000 new homes a year. However, the figures to date include many conversions and, as we now know, Help to Buy has pushed up house prices and given huge profits to some builders. The Chancellor said that the Government will build 30,000 new homes with a £3 billion affordable housing guarantee scheme for housing associations. This is one more announcement on housing but—given all the announcements over the last year on housing and other announcements in this Spring Statement, and given the absence of any detail of how the Government are delivering those commitments in practice—do all the announcements mean that the Government are well on target to delivering their commitment of building 300,000 new homes a year? Can the Minister say when the figure will be reached? Will the Government publish a detailed annual review of the milestones they achieve?

I draw the Minister's attention to the fact that housing benefit now costs £22 billion a year. If we invested in new social homes, we could reduce this. In this respect, the recent report by Shelter on how this could be done is an important contribution to the thinking here, and I hope that the Government will think seriously about how to invest in building social housing, to save the revenue costs in housing benefit caused by high rents in the private rented sector.

It is not all criticism. I welcome the borderlands growth deal which will strengthen the deep ties across the border regions of England and Scotland, as the Chancellor said. I have concerns about the northern powerhouse—very little was said about that—and the Chancellor failed to mention the shared prosperity fund. The Government have repeatedly been pressed to explain how the EU structural funds will be replaced. They are worth £2.5 billion a year to the UK and are vital for the poorer parts of the country. Will final decisions be announced in the spending review on the shared prosperity fund, along with Transport for the North's bid for improved public transport across the north? Both are urgently needed.

In the Written Ministerial Statement issued as part of the Spring Statement, there is a brief response to the recent consultation on planning reform. It says that the Government will:

“Introduce a package of reforms including allowing greater change of use between premises, and a new permitted development right to allow upwards extension of existing buildings to create new homes”.

I have serious concerns regarding the proposed expansion of permitted development rights in this way, and I look for the Minister's confirmation that such proposals will be subject to full parliamentary scrutiny. The proposed expansion includes creating a new permitted development right for the demolition and redevelopment of commercial buildings for residential use, creating a new permitted development right to allow the upward extension of buildings for creating new homes or extending existing ones, and creating new permitted development rights to allow changes of use from what have been key town-centre uses.

There are huge dangers in these changes. They could undermine the planning process by denying local communities a proper voice on development. They will bypass important quality safeguards offered by the planning process, including the right to light. They will deny local planning authorities an important means of delivering planned and sustainable mixed-use environments. They will prevent local authorities from collecting planning fees and developer contributions through the planning process. This money is vital for delivering affordable local housing and infrastructure. The recent report of the Housing, Communities and Local Government Select Committee, *High Streets and Town Centres in 2030*, said:

“The Government should suspend any further extension of PDRs, pending an evaluation of their impact on the high street”. I hope that the Minister will look very carefully at this, because I agree with that conclusion.

Finally, on the living wage review, I was pleased to see that the Chancellor wants the living wage to rise. It is a huge problem that two-thirds of the working-age poor are in work or live with someone who is in work. Low pay is partly responsible for this situation—the review he announced is urgent and he should be commended for initiating it. Despite some recent signs of wage growth, far too many people remain in low-paid, insecure employment. In conclusion, business confidence is low, investment is stalling, incomes are stretched and we have a divided country. It is vital that the spending review has addressing those problems as its central aim.

6.09 pm

Lord Macpherson of Earl's Court (CB): My Lords, I begin by congratulating the Government, the Chancellor and the Minister on reducing the deficit from £153 billion at the end of the last decade to just £23 billion this year. Fiscal consolidation is notoriously difficult, and I recognise that there are differences of view about the pace and incidence of consolidation. For example, was the balance between the increases in taxes and spending reductions right? Were the Government sensible to spend so much on tax cuts? However, on the quantum of consolidation, I think the Government have it just about right. One thing is certain: you cannot run a deficit of 10% of national income for any length of time. The last Labour Government recognised this, which is why Alistair Darling initiated the consolidation programme in 2009. George Osborne and Danny Alexander chose to be more ambitious still, though in the end they delivered the quantum, if not the content, of the Darling plan. More recently, to the surprise of the pundits I think, the current Chancellor has seen consolidation through.

My noble friend Lord Hennessy of Nympsfield once put it to me that the lot of the Treasury official is to deal with disappointment. As he put it, consolidation and recovery in the post-war period has been “routinely punctuated by the greatest orgy”. There is something in that. Getting the economy back on track following a crisis is a Sisyphean task: you spend years of your life pushing a rock up a steep, inhospitable hill only to see it falling down again, sometimes in a matter of days, when the next crisis hits. So I congratulate my former colleagues on a job well done.

Turning to the Spring Statement itself, I shall make three small points. First, I have been impressed by the tax take over the last year or two. Generally, revenues tend to disappoint—that is because people generally do not like paying taxes—but because of the buoyancy of income tax revenues, revenue has been persistently surprising on the up side. The last time I remember this was in the late 1990s. The noble Lord, Lord Young of Cookham, will remember that for the whole of the early part of the consolidation of the 1990s, revenue kept disappointing on the down side, but then suddenly in 1997, somewhat unfortunately for the outgoing Government, the dam burst and revenues kept pouring in. I remember that between 1997 and 2000 the Treasury was just awash with cash, almost embarrassingly so. Of course, it did not last, so my advice to the present Government is to enjoy it but not to assume that it will last too long.

I worry about the sustainability of the tax base. As I have noted before, the tax and national insurance take is set to be 34.6% of national income this year and then to stay at that level through to 2023. Noble Lords should bear in mind that in only one year since 1950 has the tax take been that high. That leads me to think that HMRC has discovered the holy grail of tax collection—I suspect not—or national income is higher than currently assumed, which is a theme I shall return to, or the Government will fail to sustain that level of taxation. My worry is that much of the tax base is eroding. Fuel duties and tobacco duties are in secular decline; taxing capital in a world of huge capital mobility is all too difficult; the North Sea tax take is well past its best and will fall further with decommissioning; and, although local government is raising council tax a bit, over the last 20 years council tax has probably not risen enough. As my noble friend Lord Wakeham has pointed out, the current stamp duty regime discourages people from moving house: it does not surprise me that the OBR has revised its stamp duty estimates down yet again. Spending pressures are set to rise in the coming decade. The Government need to look at whether the tax system is equipped to deal with this. For my part, like the noble Lord, Lord Shipley, I recommend looking again at the taxation of land and property. The great thing about residential and commercial property is that it is fixed—it cannot move. I also think we will need to look again at a social care tax of some sort.

My second point relates to the next spending review. If ever there was a time to prioritise public investment, it is now. I was sorry to see in the OBR report that business investment has fallen for four consecutive quarters. Now is the time when the Government need to fill the gap, prioritising infrastructure and housing.

To be fair, the Government are seeking to do this, but I would encourage them to be more ambitious still. Public investment needs to be focused on projects that yield the highest return. That probably means more expenditure on roads and, although I know I am in a minority of around three, that also suggests that we should cancel HS2.

Within current spending, I also hope that the Government will prioritise further education, skills and training. If Brexit achieves what its proponents suggest, we will no longer be able to rely on the Polish taxpayer to provide the economy with the skills it needs. Of course, such expenditure will need to be paid for. Here—again, I shall be unpopular—I would take a long, hard look at the so-called triple lock. I should declare an interest in that I am due to get my free bus pass in three months’ time. However, the fact is that the elderly have contributed very little to fiscal consolidation.

Finally, I shall say a few words about the macroeconomy. Yesterday’s labour market statistics were very encouraging. The level of job creation at this time of uncertainty is impressive. Earnings growth is accelerating. That is good news because it means that living standards are rising, which should provide further support for demand in the economy. Together with the revenue statistics, it also suggests to me that the ONS is underestimating the level of gross domestic product. We are at full employment and the supply of labour is likely to fall if the Government achieve their Brexit objectives. That means that the risk of inflation is increasing.

I can see why the Bank of England is reluctant to act while a no-deal Brexit remains a possibility, and that possibility has increased today, but it could have used this phoney Brexit period to reduce the impact of quantitative easing. The Bank continues to miss an obvious trick. Instead of reinvesting the proceeds in gilts when debt matures, it should take the opportunity to run down its gilt holdings and reduce quantitative easing. I can see that my noble friend Lord Gadhia agrees with me. As and when a deal is done on withdrawal, the Bank may well find that it has presided over monetary conditions that are too loose. That will mean that it will have to raise interest rates further than if it had prepared the ground now.

I end where I began. This is an encouraging Statement and the public finances are in a better state. The critical thing is to keep them that way.

6.16 pm

The Lord Bishop of Chester: My Lords, it is a privilege and a challenge to follow such a brilliant speech from someone who knows his way around the subject. If you want to find good things to tax, I always say that you should start with sin: find a new sin and tax it. I rather agree that HS2 is a sin, not for adding capacity, which I am all in favour of, but in doing so in such an unnecessarily expensive way. For me, trains go quite fast enough already and it could have been done far more cheaply without factoring in the speeds in a small country. As I follow the noble Lord’s speech, I think of St Paul, who once began by saying, “I speak as a fool”. I do so too, a little, after that wonderful description of the financial landscape.

[THE LORD BISHOP OF CHESTER]

Amid the gloom of the general political situation at present, I welcome the Spring Statement and the optimism it contains. I say that in strictly non-political terms. Since I was ordained 40 years ago, I have been careful not to align myself with any political party or indeed to reveal how I have voted in any election in which I have been entitled to vote. My daughters in particular resent that deeply. En passant, that even applies to the EU referendum.

Of course, the Chancellor put the best gloss possible on what he said, but there must be a welcome for the escape from the shadow cast by the banking crisis that took everyone so unawares a dozen years ago. First the Labour Government, then the coalition Government and, more recently, Conservative Governments have wrestled with the aftermath. This has been extraordinarily difficult, but I find it encouraging to see the progress that has been made—although I agree with the noble Lord, Lord Shipley, that it has been made at a price. This is also despite Brexit and the gloomy predictions made in advance of the referendum were there to be a vote to leave.

It seems to me just plain common sense that, in terms of current spending, a country must try to live within its means. This applies to individuals and, in my own sphere, to dioceses and parishes. It is good to see that this country is now on a track to do this at the level of our national life, which is no small achievement.

That said, and meant, there are important questions with which I hope the Government will continue to wrestle. There is little doubt that the improvements in government finances have been made at tremendous cost, and in some cases a very difficult cost: police, social care, welfare, defence, schools up to a point—we will all have our own lists. I am pleased that overseas aid is an honourable and important exception.

I would add to the list university student fees. I have always supported a certain level of fees, but £9,250 a year is way out of line with any other European country; indeed, within the United Kingdom, it is out of line with Scotland and Wales. I hope that the forthcoming review will start to balance student fees and costs towards a more sensible level. Of course, much of the debt will never be repaid, but it must be a huge disincentive to those who have acquired a large debt burden as they seek to make their way in life. I speak as one of the older generation who did not face that challenge. When I went to university, all the fees were paid and I was given a maintenance grant. Those were the days.

Bringing in radical reform to the structure of welfare support through the introduction of universal credit in the midst of the austerity programme was always a recipe for great difficulty, and so it has proved. It has always seemed to me that, from the start, the whole exercise needed much greater bridging financing to be introduced effectively, without shining a light on the very unfortunate losers in the process.

No doubt many other areas could be spoken of, with the NHS looming largest. It is good to know that a sustained programme of real increases is planned. The key test will be whether the money is spent efficiently and effectively, given the size of the operation.

The absentee from the Statement was social care. Essentially nothing was said about it. As the noble Lord, Lord Shipley, said, it is hanging over us. The noble Lord asked: what are we going to do?

I should also like to add a word about the section of the Statement on housing. I welcome it as far as it goes, particularly as my own diocese will be included in the additional funding from the Housing Infrastructure Fund. I hope that the annual target of 300,000 new homes by 2025 can be met, but my question is whether market-based solutions alone will achieve this. They must have a major part to play, but is there not a case for more direct government action in partnership with local authorities to help address the chronic lack of low-cost and social housing in particular?

After the Second World War, council house construction was typically between 150,000 and 200,000 units a year until the mid-1950s. Indeed, I was brought up and lived for the first 20 years of my life in one of the houses built in the peak year. Given that real assets are created by house construction, is there not a case for more direct government action to complement the market-based solutions? Looking back over the last 20 or 30 years, it seems to me that the market has failed to deliver. How can we be so confident for the future?

House prices are a major issue in many areas of the country. Market forces have driven them to their current level, and presumably it will not suit the major players in the market to see house prices come down. It would hardly be popular in political terms either to have a large number of people losing nominal wealth or slipping into negative equity. In the past, inflation used to enable Governments to manage this because a static cash value could then be complemented by some drop in real value through inflation. That is just not happening in this extraordinary period of stable inflation. As I look at the housing issues, there seems to be something missing in the analysis to join it all up, putting the market-based solutions together with appropriate government initiatives. We will have to see where we go; if the market delivers 300,000 units by the mid-2020s, I shall eat my cassock.

My final example is spending on children's and young people's services. The noble Lord, Lord Shipley, mentioned the figure of 52% in relation to cuts. The real-terms figure I had was more like 25%. One way or another, huge cuts have been made to support services for young people through the decade of austerity. I welcome the extra £100 million for the police specifically to tackle knife crime, but that is for only one year and addresses the problem in only one dimension. We surely need a much more joined-up, multiagency approach. That will require the restoration of some of the funding cut from budgets for children's and, especially, youth services. It is not just the symptoms of knife crime but its sources that need to be addressed. The fact that so many boys growing up in our society have no male role models to learn from is a feature of our society in terms of family dynamics and breakdown. The state cannot substitute entirely—it is a job for all of us—but it has a role. The cuts to spending on youth services over the past 10 years have been quite myopic in that regard.

An “end to austerity” is linked in the Statement to higher wages, lower taxes and increases in public spending. The balance here in the future is crucial. After a decade of well-nigh unprecedented cuts in public spending, I hope the forthcoming spending review will focus upon what needs to be done to undergird and build a safe and civilised society. Public money must be spent wisely and effectively, but in our complex and pluralist society I suspect we will need even more government action in the future to address the problems that will inevitably emerge to complement the vitality of a market economy based on individual freedom.

I know at first hand, through my family, the example which the Scandinavian countries have set. Scotland, to where I will shortly retire, is currently putting its own toe in the water of somewhat higher taxes to fund even better public services. We will have to see what the outcomes look like in due course, but the principle of tax-funded excellence in public services seems to me a noble aim. While it is there to a degree in the Statement, I wish it were just a bit more prominent.

6.27 pm

Lord Wakeham (Con): My Lords, the right reverend Prelate should not underestimate his contribution over the years to our economic debates. I have heard him many times, and he always brings a great whiff of common sense to our debates. We are very grateful for his contributions.

When I was thinking about what I was going to say today, I thought my noble friend Lord Young would be introducing the debate. I was going to tease him slightly—and as he is here, I will do it anyway. He and I entered the House of Commons 45 years ago. In the early days I was the junior Whip sitting on the bench saying nothing; he was the parliamentary Secretary of one department or another. There was one Member of Parliament sitting across the way who raised a subject on the adjournment of the House. Other noble Lords who have been in the House of Commons will know that this happens last thing at night. He did it with utter charm and good will, full of information and so on. It seemed to me that night after night he got the short straw to do it, and when he addresses the House now, as he does from time to time with great skill, he might remember those days 45 years ago when he started.

I confess I have not known my noble friend Lord Bates for 45 years, but I have known him a good many years. I greatly admire the way he has tackled his ministerial jobs and his capacity for making complex issues understandable—and he has lived up to those high standards tonight in his opening remarks.

The Spring Statement was much better than I had anticipated, and augurs well for the position of the country when we can get the uncertainty of Brexit behind us. I will touch on one or two matters that were not mentioned in the Chancellor’s Statement. The Government have taken quite a number of steps to deal with tax avoidance in the UK. They have made some sensible adjustments to their initial proposals about making taxation digital, which is a move in the right direction if they can get it right. But I am not absolutely convinced that they have done all that is

necessary to make those changes. It is a massive change in the way in which we run our taxation, particularly for small businesses, and I am not convinced that they have done all that is necessary to get those changes right.

The Chancellor has also made some welcome initiatives in tackling some of the big international technological companies that are trading in the UK but are not paying their fair share of taxes. To be effective, tackling the tax avoidance of big international companies will require international solutions—but it is also a UK problem. UK companies paying their proper corporation tax have to compete with companies that in many cases are not paying their fair share of tax. So, while it is an international problem, it is often a UK problem as well. In my view, that unfair competition has to stop.

Christine Lagarde, the head of the IMF, stated recently that the amount of international tax avoidance was in the order of \$600 billion a year. That is massive—it is something like a quarter of all the corporate taxes that are collected in the world. We are talking about big potatoes; it is big money. The IMF recently issued a discussion document making some suggestions as to how this problem might be tackled. There is no doubt that it will be difficult. At the heart of the problem is the transfer of trading profits from high-tax companies to low-tax companies by rather doubtful finance charges and massive charges for intellectual property rights, which gets the tax down in that country and puts the profits into low-tax areas.

As far as I understand it from reading the document, the IMF seems to be saying that in essence it believes that profits should be struck before finance charges and intellectual property rights. That would be part of the solution, but obviously it brings other problems as well. Will my noble friend make sure that the Chancellor understands the problem? Of course he understands the problem, but he ought to understand this as well. The British taxation system and the expertise of our people are highly regarded in many parts of the world. We ought to be making a big contribution to the world’s solutions to these problems. We cannot do it all ourselves, but we can at least make a contribution. I think that is very important.

My noble friend Lord Forsyth, who is chairman of your Lordships’ Select Committee on Economic Affairs—a position which I held at one time, God knows how many years ago now—has called into question the way that HMRC seeks to deal with the loan charge taxes that the Government seek to impose on those who, often with accounting and legal advice, entered into arrangements to receive loans that were unlikely to be called in and at the same time saved a lot of tax and national insurance.

I have a great deal of sympathy for people in that position, but the schemes came out, if I remember rightly, around the year 2000 when I was still active in companies. A number of companies that I advised came up with these fancy ideas and I persuaded every one of them that it was not the route that they ought wisely to take. So, while the Select Committee was right to say that the people who perpetuate these schemes and bring them forward have a great deal of

[LORD WAKEHAM]

responsibility, I cannot entirely rule out the people who have entered into them. If you are offered a scheme that means that by some fiddle-de-do you do not pay any tax at all, you ought to approach it with a great deal of caution—and I do not think that that has entirely been the case. But I think that HMRC has a case against the people who perpetuate these schemes.

I will conclude with a nice reference to stamp duty. I do not think I have ever made a speech in this House on economic matters without touching on stamp duty. I was a Treasury Minister 30 years ago and I had awful battles in the Treasury over stamp duty because it wanted me to sign a foreword to a discussion document about stamp duty and I had a frightful battle to tone down the words. The Treasury loves stamp duty because it is an easy tax to collect. It raises a lot of money and it is efficient and easy to collect. However, as my noble friend behind me said, it is an economically damaging tax. It stops downsizing in housing and is essentially a tax on change. My noble friend was right to say that the Chancellor had made some changes. However, I will go on mentioning this every time I speak, until he makes the sort of changes that I want. Good luck to him.

6.35 pm

Lord Hain (Lab): My Lords, compared with the noble Lord, Lord Macpherson of Earl's Court, I am an innumerate amateur. But I am aware that economists work in a statistical minefield, in which they must take care to distinguish between provisional and revised figures, between raw and seasonally adjusted data, and between nominal and real values. The Chancellor's Spring Statement really did take us from the real to the surreal.

In the real world, the UK economy grew at its slowest rate for six years in 2018, and growth is expected by the Bank of England, by the OECD and by the Office for Budget Responsibility to slow even further this year. Business investment has gone down and productivity improvements have dried up. The risk of recession has increased at the very time that the potency of monetary policy has diminished. Additionally, there are worries from a possible looming global debt crisis, global trade wars sparked in part by President Trump's stand-off with China, and the Chinese slowdown.

But in the surreal world of the Chancellor's fertile imagination the economy is "fundamentally strong" and "remarkably robust". Twice in 2017, again in 2018, once more in February this year and again in the Spring Statement, the Chancellor peddled the same line: the economy is confounding his critics by continuing to grow. That remains his stance today. He wants to sound on top of his brief while saying nothing of substance and denying any need to give a sluggish economy a fiscal boost. As Bing Crosby sang:

"We're busy doin' nothin',
Workin' the whole day through,
Tryin' to find lots of things not to do".

Britain is vying with Italy and Japan at the foot of the G7 growth league. We are not alone in facing worsening prospects. Germany, France, Italy and China are all experiencing a growth slowdown. They are all responding by planning a fiscal stimulus but in Britain,

the Chancellor has chosen to play a waiting game. Like a cricketing nightwatchman, he is intent only on staying at the crease by meeting every delivery with a dead bat. He is waiting for whatever dawn and the outcome of the Brexit votes might bring: perhaps a revival of business investment and consumer confidence as the fog of Brexit uncertainty lifts—if it ever lifts, given the Government's latest Brexit shenanigans and the national crisis upon us. There is no sign of that fog lifting soon. The Spring Statement put off taking action until an Autumn Budget, assuming an orderly Brexit—some chance of that. The Chancellor's fiscal stance simply echoed Scarlett O'Hara's response to discouraging news: "Tomorrow is another day".

This is an *Alice Through the Looking-Glass* world, in which we were led to expect a Spring Statement with no new tax or spending measures but in which, days before the Chancellor's Statement, the Prime Minister could announce an insulting seven-year, £1.6 billion investment fund, ostensibly to boost growth in Britain's "left behind" towns, which have been ravaged by tens of billions of pounds of public spending cuts and never-ending austerity. It is a world in which in-work benefits remain frozen and public spending plans face further brutal cuts unless the Treasury eases its grip. It is a world in which the Chancellor's claims that austerity is coming to an end are contradicted by the Office for Budget Responsibility's reports confirming that the 10-year Tory budget squeeze remains in place—a squeeze that, by 2020, will have taken more than £150 billion of spending out of the economy in tax rises and public spending cuts. It is little comfort to know that under his predecessor's plans, the squeeze on national spending would have been closer to £200 billion.

The Chancellor and some commentators have pointed to lower government borrowing over the past year as a portent of a brighter future. Sky's Ed Conway recently noted that annual public borrowing is now lower than it was before the financial crisis, which is true. As a proportion of GDP, it is now about half what it was in 2007—but in 2007, GDP grew by 3%, more than twice as fast as in 2018, and business investment was increasing, not falling like last year. Faster growth makes higher public spending and higher borrowing more affordable.

There was a time when the leader of the Conservative Party embraced the idea of sharing the proceeds of growth between the public and private sectors to build a civilised society. Today's Tories remain intent on starving public services of funds, sacrificing economic growth in the process. In the real world, the UK economy is crying out for a fiscal boost from the Chancellor to promote faster expansion and put an end to austerity once and for all. That boost should focus on infrastructure investment, social housing, skills and training, care for the elderly and low-carbon, greener growth. Decades of underinvestment in UK infrastructure, in our people and in fighting global warming need to be corrected. There is no time to lose.

The right reverend Prelate the Bishop of Chester said, absolutely correctly, that there was no mention of social care in the Chancellor's Statement. That should be a crying priority for any Government. The noble Lord, Lord Macpherson of Earl's Court, spoke of a social care tax. He is right: I do not think that the

incredible crisis in elderly care can be solved by dumping it on families in a lottery of burden. Virtually every family in the country now faces this problem, which needs to be dealt with through extra taxation, possibly compiled with some sort of insurance as well.

The Chancellor says that he is holding £26 billion of fiscal headroom in reserve. If he has such a trump card, as he implies, keeping it up his sleeve is doing no one any good. Britain has already endured the slowest recovery from recession in the post-war period, all under this Government since 2010. Now the Chancellor is prolonging the pain of lacklustre growth. He talks a good game about ending austerity but cannot bring himself to take the decisions needed to match his words. His Spring Statement has been another missed opportunity, another squandered chance, to give the green light to the faster growth this country desperately needs.

6.43 pm

Baroness Thornhill (LD): My Lords, I declare my interest as a vice-president of the Local Government Association. My humble contribution will focus on the impact of the Spring Statement on local government finances and the serious concerns over the short-term crisis and future sustainability.

The Chancellor certainly attempted to morph himself from Eeyore to Tigger and inject some optimism into his Statement. But there was little to lift the gloom in local government circles. For us, it was slim pickings. However, it is churlish not to recognise that in the 2018 Budget, the Government responded to local government's call for investment to ease some of the pressures facing local services this year. But it was just that—another one-off payment to avert a crisis, stick a finger in the dam or create a headline.

What was noticeably missing was any comment on the dire position that local government finds itself in. There was nothing on the long-overdue Green Paper on social care, which takes up some 40% of councils' spending; nothing for children's services, which are already expected to be the next crisis area after adult social care; and nothing to provide much-needed social housing. Your Lordships will note that I say "social housing", given that the Government seem wedded to the so-called affordable homes that are simply not affordable to many of those on our housing list.

Will the Minister accept the views of the LGA, the IFS and local government finance officers that the current model for funding local government is broken and unsustainable? Can we be assured that there will be some urgency injected into new processes as we approach 2020? The Government will be well aware of the substantial funding black hole facing local government. A conservative estimate from the LGA places the funding gap at £8 billion by 2025 if more money is not provided for those services that in particular are experiencing a marked growth in demand. The real-world impacts are being felt by adults and children in care, homeless families and children on the streets, and millions of users of damaged local roads. These are specific services stretched to breaking point; but one cannot keep papering over the cracks that a significant reduction of funding, year after year, has caused to local services across the board.

We have an unprecedented situation where representatives of the police, head teachers, local government and hospital workers are all saying that, at the very least, they are stretched to a level that is impacting on services; at worst, they are at crisis point. Between 2010 and 2020 councils will have lost 60 pence out of every pound that the Government provide for public services. Compounding that funding gap is the now critical lack of clarity about where council funding will actually come from after this year. Many people in local government and beyond are rightly calling it a post-2020 cliff edge, and we are moving dangerously ever closer.

The proposed spending review will be setting overall departmental budgets for the coming years. That is good, but it has not even begun yet, so councils simply do not know broadly what their funding levels will be after 2020. How are they able to plan for the continued delivery of vital services? Added to that uncertainty, long-awaited reform of business rates retention and fair funding are still ongoing. Those are due to be implemented from April next year, which will leave councils with a matter of months to adapt. Some councils will inevitably be worse off, but they do not know which they are yet. Others will be eager to retain more of the business rates they collect so as to spend it locally, but are currently in the dark about whether they will be allowed to. Clarity is urgently needed. At the very least, the Government should commit to taking levels of deprivation into account when deciding what councils' relative financial spending needs are.

In response to my recent Question on this matter, the noble lord, Lord Bourne, told me that I was wrong. If so, could he please make a statement to reassure councils that deprivation levels will be taken into account in the baseline funding when the new so-called fair funding formula is revealed? That would alleviate current concerns being felt in the sector, as this is certainly not the perceived position.

The Chancellor also mentioned a £10 billion reduction in business rates and plans for revaluation from 2021. There is also a massive backlog in appeals for revaluation on current business rate levels. Given that a significant part of a council's resources will in the future depend on business rate levels and growth, those are both factors that inject further instability into the process. With the plans for an increase to 80% business rate retention and the implementation of the fair funding formula both progressing at a snail's pace, it is little wonder that there is widespread concern.

It goes without saying that this continued financial uncertainty is not good for our communities. This is not about process; it is about people. Councils must be trusted to get on with the job of delivering valued services locally, creating the best solutions for their areas, which they know best. They want to help the Government meet national targets for things such as new homes, job creation and preventing ill health, but they are currently unable to do as much as they could do. Put simply, they are being handicapped by an acute lack of financial certainty, which must be urgently addressed. This in turn is hurting those who depend

[BARONESS THORNHILL]

on the services provided by local councils, many of whom will be among the most vulnerable people in our society.

Finally, I agree with the comments made by the noble Lord, Lord Macpherson, about council tax. What is the difference between Brexit and raising council tax? With Brexit, you get only one referendum, so you cannot change your mind. But if you want to raise council tax, you can have a referendum year after year after year—so you can change your mind, depending on the circumstances. That is why council tax has not risen enough to cover needs over the last years. Local government has long asked for that to be revoked. It has not happened yet.

6.51 pm

The Earl of Lytton (CB): My Lords, it is a delight to follow the noble Baroness, Lady Thornhill. As a fellow vice-president of the Local Government Association, I can relate to her comments. Like the noble Lord, Lord Hain, I declare my complete amateurship among all those who have such great knowledge here.

The Spring Statement has been likened to holding breath. I have previously expressed regret that this whole affair of our relationship with Europe has eclipsed so much else of national importance in the area of necessary self-examination and continual improvement. Although I acknowledge the welcome improvement in the national finances, it is in that context that I look behind the scenes at some of our local management—and certainly, at that concerning building an economy fit for the future, to use the Chancellor's own term.

I would like to raise a few points, some of which are listed in the post-October 2012 initiatives table and elsewhere in the accompanying documentation. My little list now runs as follows. I start with business rates. Again, I am grateful to the noble Baroness, Lady Thornton, because she has covered so much of the local government side of things. I declare my interest professionally and as an owner of business premises. I have been through this matter on a number of occasions before. Although in its current form the system is not the sole cause of malaise in the business property sector—or, for that matter, specifically the high street—it is a material factor. The truth is that the system has been gamed by HMRC—first, on the spurious ground that the delay in the 2015 revaluation was to the benefit of and provided certainty for the business rate payer, when in fact it was solely for the maintenance of the tax yield; the certainty was one of continued rate charges based on peak market values of 2008.

Reform was promised, but what was in fact put in place was a redress system seemingly purpose-made to make it as difficult as possible for ratepayers to get fair access. I refer to the system known as “check, challenge, appeal”—an online system via the government portal that is so awkward, so poorly designed and so underresourced as to seriously fetter the necessary process of fair access to an impartial system of adjudication. This matters, given the historically high levels of rateable value. The Government point to the small business exemption, but I am afraid I do not buy the excuse of relief for small businesses, when the generality are still

treated unjustly, any more than I buy that rather self-satisfied and unquestioning response deployed to justify check, challenge, appeal. New measures to address flagging high streets might usefully look at the imposition of empty rates and consequences of that as regards unlettable property before conferring additional compulsory purchase powers.

Noting the point raised by the noble Lord, Lord Shipley—I am sorry he is not in his place at the moment—I say that a revaluation to achieve land value tax comes at a significant up-front cost and, because it incorporates the concept of most valuable land use, is likely to generate a significant number of additional appeals, therefore affecting the likely yield. So we should be a little careful what we wish for—but it raises a valid point about the need to review the whole system and see whether the whole tax base cannot be stretched somewhere.

Another area of concern on my little list is personal independence payments—PIPs—a large number of unjustly refused applications for which have forced applicants to go through a long-winded process of appeal. This is often successful, provided the applicant lives long enough to collect. This simply plays games with people's lives, and I find that objectionable.

There are changes in the probate fee arrangements. Leaving aside the level of charges, as I perceive it, both this fee and the way in which inheritance tax has to be paid rely on you getting a grant of probate first, before you can access the deceased's assets. But the tax has to be paid in advance of that. This seems to put executors in an unprecedented cleft stick unless they can raise a loan or be bailed out by some family member. There is no appeal against this denial of a key principle of fair taxation—that you are not required to pay the tax until you have received the dosh—and I think that ought to be looked at.

HMRC recently announced its intention to progress its Making Tax Digital initiative, about which we heard earlier. This scheme requires those above the VAT exemption limit to make online returns in something approaching real time, but HMRC does not supply or, so far as I can see, approve the necessary software for it, and introduced it at relatively short notice without any proper trialling or, in my view, adequate notice. I have noticed the criticism by your Lordships' Economic Affairs Committee. Again, there is no redress, and I will wager that if it is anything like check, challenge, appeal, it is another disaster waiting to happen.

I hope I may be forgiven for spotting a pattern here. First, develop a scheme so complicated that the ordinary citizen cannot understand it and will be in no position to mount any challenge. Secondly, in so far as a challenge might be mounted, make sure that in practice this is unavailable or so badly designed or inadequately resourced as to achieve a similar outcome. Thirdly, ensure that tax authorities have free rein to mount a retroactive defence if things go wrong. Fourthly, peddle fake facts to make black appear white and everything appear absolutely fine. Fifthly and finally, where refunds or out-payments are due, delay as long as possible.

To me, this makes it clear why the income tax system in particular is now so complex that no normal citizen is able to comprehend it, let alone complete

their own tax return, without professional assistance at significant additional cost. It demonstrates why the complicated process of making returns also contains innumerable tripwires, allied to swingeing penalties for infractions and backed by denial of fair access to adjudication. It all fits into a vicious circle. But complexity in general tax terms, which in business rates administration seems to exceed departmental capability in its own terms, also opens itself up to ever more crafty attempts at evasion or avoidance, even without the curious spectacle of HMRC having approved avoidance schemes. I note that while pursuing self-employed folk under the IR35 scheme, HMRC was simultaneously turning a blind eye to its own employment arrangements, under which new entrants set up personal service companies as required by the Revenue's own recruitment consultants—a PAYE avoidance scheme on an industrial scale.

I have previously raised the question of the charges raised by Highways England and its contractors for remedying highway defects caused by vehicle accidents on highways. I will not go into the details, but the point here is that the sums claimed thereby from vehicle insurers—the driver's insurance company—often bear little or no relationship to the much lower charges agreed between Highways England and its contractors. As for the enlarged claims against insurers and inflated premiums in consequence, I note simply that this unjustified practice persists at the hands of a government agency.

In passing, I mention compulsory purchase schemes such as those involved in HS2; there are others. I am told there are ongoing issues over lack of promptness in payment of compensation. I accept that lack of information may sometimes be a factor, but I believe that the acquiring authorities are hiding behind the complexity of the processes to delay paying out.

My point is, therefore, that the policies now implemented are not for the citizen but consciously arraigned against him for the purposes of greater control and coercion by the state and protection of its various departments. Those departments are themselves abusers. Further, in their complexity they have reached diminishing utility, if not actual diminishing returns, and are seriously eroding trust, confidence and adherence. That should be ringing warning bells. It matters if the organs of the state are deliberately pitched against the citizen: wherewith government of the people, by the people, for the people?

We hear about poor levels of private investment, and I see a clear connection between this apparent Scrooge mentality and its inevitable outcome in that dimension. We hear of too many botched and grossly over-budget projects. Why is there this apparent lack of competence—and what about the cost, and the waste involved?

We hear of a growing need for ethical practices in business and commerce. I observe simply that there seems to be a disconnect here. If sharp practices of obfuscation and the covering up of mistakes are going to persist in government, how can we expect the citizen to behave any better? What is to prevent an inexorable slide into the law of the jungle? I believe that we can and must fix this, and the Chancellor can start by calling his own department and its attendant

Treasury-funded agencies to order. If not, there ought to be a statutory watchdog with powers to oversee an increasingly out-of-control situation.

7.01 pm

Lord Leigh of Hurley (Con): My Lords, it is an honour to follow the wide-ranging speech of the noble Earl, Lord Lytton. I welcome the chance to contribute to today's debate, in which we are asked to take note of the economy in the light of the Spring Statement. It is important that we take note of it; with everything else that is going on and the demands on our time with regard to exiting the European Union, we are in serious danger of missing some good economic news. As we size up our European past, present and future, it is important not to lose sight of our current economic position and its not inconsiderable strengths.

To name but a few of those, there are record numbers of people in work, household spending has never been higher, inequality is in retreat—and, of course, the deficit is at its lowest level since 2003. That is evidence, if any more were needed, that so-called austerity need not be regressive. Indeed, it is proof that the worst thing that we, as economic stewards, can do for the least well-off, is to run high deficits. There is nothing progressive about spending more and more of our national income on debt interest instead of public services.

We are meeting on a day when Toyota has announced further investment in Derbyshire, and the opening of a new production line. I believe that we have had more quarters of successive economic growth than any other G20 country, and, unusually, our FDI has gone up, as opposed to that in Europe, which went down in 2018.

I am sorry that the noble Lord, Lord Macpherson of Earl's Court, is not in his usual place, because I do not know whether he would agree that in economic matters—or, rather, fiscal matters—there are only two statistics we can rely on. These are, first, tax receipts—hard cash—which are currently at record levels, and, secondly, the proportion of unemployment claimants, which, for the first time in decades, is lower than 4%. Coupled with real wage growth of 1.3%, that represents good news.

Critics who carp that those are lagging, not leading, indicators should note that the OBR has predicted that employment is expected to rise over the next five years, with the number of people in work rising to 33.2 million by 2023. It clearly does not see a change of Government on the horizon, as we know that no Labour Government have left office with unemployment lower than when they started.

I shall highlight some specific areas of note from the Statement. The Chancellor continues to highlight productivity. Indeed, he refers to low wages and low productivity as “twin demons”, and mentions the importance of the £37 billion National Productivity Investment Fund in helping to tackle those problems. This is an important issue, but I still wonder whether we will ever get to the root of it until we modernise our interpretation of productivity itself. After all, services, now the mainstay of our modern economy, are, in my opinion, not properly accounted for in the productivity statistics.

[LORD LEIGH OF HURLEY]

I have never been happy with the statistics that measure productivity as output per hour, because they fail to recognise total output, which for us is very good. Moreover, as we have full employment, we will use less productive labour. So our productivity will appear low even if that is not really the case. I say to the Chancellor, and to my noble friend the Minister, that we should not allow our opponents here or abroad to criticise our productivity levels unfairly, or unchallenged.

It is also worth highlighting measures that recognise the importance of Britain as a trading nation, open to talent and open for business. Putting an end to landing cards, as the Minister mentioned, and allowing passengers from key partner countries, particularly the United States, to use e-gates, is really important, and complements the new measures to support UK Export Finance. In particular, the general export facility, which allows UKEF to support the working capital requirements of exporters as companies, rather than just for specific projects, will have a big effect. I hope that such measures are just the beginning: we need to do more, and communicate better the support on offer for exporters, and, of course, inward investors.

Like the noble Lord, Lord Wakeham, I shall refer to the papers published by the Chancellor with the Spring Statement on tax issues, particularly avoidance and evasion, which remind us that HMRC reckons that some £900 million spent in 2010 is estimated to have brought in an additional £7 billion of revenue. The report then lists some of HMRC's successes in fighting evasion, which I applaud. For the record, I take issue with its definition of tax avoidance, which it describes as "bending the rules"—but I totally agree that contrived and artificial schemes must be stamped out

That takes me to my final, and familiar, subject: VAT and online fraud. The Spring Statement gives important context, with a new strategy document from HMRC. This report cites a VAT tax gap of £11.7 billion for 2016-17. Yet the UK Alliance of Online Retailers suggests that the £205 million in VAT collected from overseas sellers is only 7% of what should have been collected. This suggests that current measures in place to combat fraud are not working.

For example, presently, HMRC applies "seller checks" to overseas sellers but not to UK ones. This is particularly relevant to online sellers and has led to literally thousands of overseas sellers registering as UK sellers, knowing that online marketplaces do not check whether the seller is actually the legal owner of that business name and the associated VAT number. In other words, fraud is going on under the noses of the likes of Amazon and eBay and they are taking no action. Meanwhile, the Exchequer loses out on considerable revenue and genuine UK sellers are punished.

Does the Minister agree that the solution is to get these online marketplaces to take more responsibility? First, they should collect VAT themselves and, failing that, HMRC should copy the German model whereby the sellers cannot trade without a VAT compliance certificate, which comes only after VAT returns and import invoices have been properly reviewed by HMRC. Furthermore, all anti-money laundering legislation

should apply to online market places so that all business details are properly displayed and verified. HMRC's statement is to be welcomed in the round, but in this instance we can do more with some relatively simple interventions.

I hope your Lordships agree that it is important that the UK builds on its strong economic fundamentals, demonstrated again by this year's Spring Statement with measures that support our status as a trading nation. However, as in the case of online VAT, there is also an opportunity for the UK to play a leadership role in setting out new approaches and standards for the challenges posed by a globalised digitalised economy and not allowing competitive pressures to conflict with a sense of fairness and standing up for the rule of law.

7.09 pm

Viscount Chandos (Lab): My Lords, I welcome the chance to debate the Chancellor's Spring Statement and, as the noble Lord, Lord Shipley, noted, to do so—whatever the charms of the Moses Room—in this Chamber. I draw your Lordships' attention to my entry in the register of interests.

As my noble friend Lord Tunncliffe has already observed, the Chancellor of the Exchequer did not wish the Spring Statement to be a fiscal event. In that, at least, he has succeeded. It is indeed a small and imperfectly formed non-event, which I intend to mark with as brief a speech as possible.

What are the overriding responsibilities of the Government? The defence of the realm is indisputable and, although that is not the subject of this evening's debate, it is worth noting that the Ministry of Defence's budget has been cut by 10% in real terms between 2010-11 and 2019-20. The Secretary of State for Defence may have been noisy in his campaigning for an increase in his department's budget but it is hard not to get the impression that he is more focused on leadership manoeuvres than naval ones, other than those that would have needlessly have jeopardised our economic and trade relations with China. These cuts, of course, are modest compared to the 40% reduction in the budget over the same period suffered devastatingly by Defra and the Ministry of Justice.

I suggest that next, after securing the security of our country, the maintenance of a stable and positive environment for business is a key responsibility of any Government. There may be varying views on different sides of the House on when and how the Government should intervene to address market failures, but the principle of maintaining confidence, domestically and internationally, in the UK as an attractive place to do business is shared right across the House. In this respect, the Government have abjectly and comprehensively failed. GDP is already 2.7% lower than was forecast three years ago, meaning that £50 billion in money, and perhaps £15 billion or more in tax revenues that could have been invested in public services, have been cut and cut over the nine years of Conservative-led Government—and we have not seen the half of it.

Even if the Prime Minister's irresponsible brinkmanship—"reckless" in the words of her own deputy—gets her deal for Brexit approved by the House of Commons, allowing an Article 50 extension

for its implementation, the chaos and uncertainty of the past month, for which the Government must take responsibility, will prove to have inflicted further damage on business confidence, with a corresponding reduction in economic activity and investment. GDP growth for the current year has already been downgraded from 1.7% to 1.2%, as I suggested was likely when your Lordships debated the Finance Bill last month. It would be no surprise if the outturn was worse still—barely no growth at all in GDP per capita—as a result of the Conservative-inflicted crisis that can only deter investment and damage confidence further.

This anaemic projected growth was posited on agreement being reached, I assume, on a timely basis with the EU. There remains, whatever the efforts of Parliament, an unnerving risk that we could in nine days' time find ourselves tumbling into a disorderly Brexit, the adverse economic consequences of which the Chancellor reiterated in the Statement, and which the Treasury has quantified as an estimated 5% reduction in GDP. That is £100 billion in real money, of which £30 billion or more of tax revenues would be lost.

The Chancellor in his Statement described my right honourable friend the shadow Chancellor as living in a parallel world. In listening to the Minister's introduction and re-reading the Chancellor's Statement, I am trying to reconcile their tone with the figures I have set out, let alone the appalling hardship suffered by the least well-off in our society. I suggest it is the Minister and the Chancellor who are living in a parallel universe.

Compared to the effects of the Government's incompetent planning and negotiation of Brexit, and the risks of a disorderly Brexit, the issues outlined in the Spring Statement are infinitesimally modest. The Chancellor has shown the zeal of the convert—which in principle I welcome—in his proposal for a review of the national living wage regime. I hope that the Dube review, and indeed the Furman review of competition in the digital market, enjoy a speedier timetable than the hugely important Augar review of further and higher education, which we still await.

The noble Lord, Lord Macpherson of Earl's Court, who is not in his place, spoke with his undoubted authority on fiscal consolidation. I was pleased that he acknowledged that what the Conservative-led Governments have achieved has proved to be no more than that planned and started by the Labour Government and my noble friend Lord Darling, as Chancellor. He noted that Labour's plans involved different means of achieving that fiscal consolidation, a critical difference, not just in the dispassionate Treasury analysis, but much more importantly, to those who have suffered most from the macho austerity policies pursued by this Government and their allies.

In our debate last month, I think the Minister may have misunderstood, and did not answer, my question about the implications of the decision by the ONS on accounting for student loans—which, for the avoidance of doubt, I welcome. The noble Lord, in his introduction, spoke proudly of the reductions in borrowing, and has been congratulated on them by the noble Lord, Lord Macpherson. The OBR has noted that these figures do not make any adjustments for the proposed changes to the accounting of student loans. I ask the Minister

again: in conducting the spending review for the next three years, when those adjustments can be made, will the Government effectively ignore them in setting public expenditure, and not penalise the country for the imaginative accounting adopted previously?

I end by noting that the Minister highlighted the Government's investment of £79 million in ARCHER 2, the supercomputer in Edinburgh. He did not repeat the Chancellor's jolly quip:

"I am told that with the right algorithms it might even be able to come up with the solution to the backstop".—[*Official Report*, Commons, 13/3/19; col. 350.]

I have already stressed the importance of a solution—with or without the algorithms available from ARCHER 2.

7.18 pm

Lord Scriven (LD): My Lords, I start by highlighting my declarations in the register, particularly as a vice-president of the Local Government Association and as a member of Sheffield City Council.

Listening to the Minister at the Dispatch Box coming forward with forecasts and percentages of growth made me understand why astrology was invented—because it makes Ministers' economic forecasts seem like a precise science. Of course, they are not. So the real issue is how this Statement affects real people's lives and what the trajectory is of improving people's lives. I take myself away from here—I do not hunch over a calculator, as Ministers and officials probably do, and type away with steam coming out, to get the best percentage. I see how real people's lives are improving when I go back to the north and to Sheffield.

This Statement missed three opportunities to improve people's lives. One was mentioned, one was partly mentioned and one was ignored. The first was knife crime. This is a missed opportunity. Unfortunately, on knife crime the Spring Statement turned into a short-term knee-jerk reaction. Young people's lives have been taken away and communities are being devastated. My own city of Sheffield, described as the safest city in the country, has seen nine fatalities from knife crime in the past year. It is a missed opportunity because we are not policing, and we will not police, our way out of knife crime: it is a complex public health issue that needs to be addressed in a much rounder way. The Home Office did some social and economic costings of crime, covering the costs of a crime, the consequences of it and the costs of dealing with it. It found that each fatality from homicide, including knife crime, cost £3.2 million in economic and social costs.

Knife crime leading to the loss of a young person goes way beyond economics: it is a human and social tragedy, and families, loved ones and communities are affected. I am clear, therefore, that the Spring Statement should have addressed real issues such as youth services. In 2014-15 £620 million was spent on youth services. By 2017-18 this was down to £410 million. Support services—good voluntary sector organisations such as the De Hood gym in Sheffield that give young people positive things to do and work with the statutory sector—are important. So I ask the Minister, what will happen with budgets in the round for things such as youth services? Will they be put on a statutory footing, which is really important if those services are not to continue to decline?

[LORD SCRIVEN]

We need to be radical if we are going to deal with this—with not just the economic but the human consequences of knife crime. Can we move away from silo budgeting? It is no good just saying that you will give x more to the police, x more to youth services—it is about programme budgeting, where we have to take a radical view if it is a public health issue where the statutory sector has to work together. Can we say that we will start giving to areas—as we perhaps did with troubled families—so that they get a programme budget on issues to do with knife crime? A fixed amount will go to an area, which will then decide how to spend the money, with no strings attached, in order to tackle the public health crisis. The Government's role will then be to hold local areas to account. It is no good slicing this budget into silos; that will just mean that the public sector will argue for who is responsible for which bit. We have to get much smarter. We need to give hope to cities and towns for knife crime to diminish.

Talking of hope and opportunity, I turn to the north. We have one of the most unbalanced economies in the western world. The northern powerhouse was mentioned once in the Statement. GVA in London and the south-east equates to nearly 40% of the total across the country. In the north, which includes Yorkshire, the north-east and the north-west, GVA is just 19%. I am asking not for money to be taken away from London, but for a fair share for the north. The pay gap between the south and the north is widening, as is the gap in life expectancy. If you are a male born in Blackpool, you are expected to live only 68 years. There has to be greater investment in the north. For every pound spent on transport in the north, £4 is spent in southern England. London gets £149 per head more in transport spending than the north.

UK plc is not firing on all cylinders because we do not have fair and reasonable investment across all the regions of the UK. The £1.6 billion stronger towns fund is not going to solve this, and nor are strings-attached metro mayors. That is just about existing spending being spent differently by somebody else. It is not new money or extra money; it is just moving the spending of money from the centre to the regions. Welcome as it is, we need extra investment.

This is a gigantic failure of a number of Governments, not just this Government. It goes back many years. We need much more balanced investment in the north and the regions. Why was the Spring Statement so silent on the northern powerhouse? Why has it been deprioritised? If it has not, I can tell the House that in the north that is how it feels. The Government need to charge up their cylinders if they are serious about the northern powerhouse and what can happen in that area. If they are going to give us economic independence and interdependence, we need to see real investment in the north and real and sustainable commitment to the north—not just saying that maybe they will fund Transport for the North's business plan.

The third issue I wish to talk about is dignity and independence in old age. My noble friends Lady Thornhill and Lord Shipley mentioned the crisis in local government and one area in particular, which is social care. This is important for the future economy if people are to live with dignity and independence. There is already a

£1 billion gap in social care, and it is likely to increase to £3.1 billion by 2024-25. Last year, there were more than 2 million new requests for council social care, which was a great increase. The NHS spends £850 million a year treating older people who do not need to be in hospital. In 2018, £46.2 billion of our economy—6% of GDP—was in social care. If social care continues to grow with demographic change, by 2030 the number of social care jobs will have increased by 31%. It will be a key part of the future economy and of jobs, enterprise and care, but it is not sustainable in its present form. So will the Government be radical about this? The answer cannot just be about existing tax. Will they look at the examples of Japan and Germany, which have started to get long-term social care funding on a sustainable footing? It will be key to getting a sustainable, balanced economy in the future.

So the Statement was welcome, but it was a missed opportunity. It was a missed opportunity for young people and communities blighted by knife crime; it was a missed opportunity for the north to get its fair share so that it can contribute fully to the UK's GDP; and it was definitely a let down for older people who want to live with independence and dignity.

7.28 pm

Lord Gadhia (Non-Aff): My Lords, Napoleon once said, "I do not want a good general, I want a lucky one". The same logic surely applies to Chancellors and their stewardship of the economy. Faced with headwinds in the global economy and a downturn in business investment from Brexit uncertainty, the Spring Statement could easily have been a more testing experience for Mr Hammond. Instead, the Chancellor has continued to enjoy buoyant tax receipts, despite softening economic growth, enabling him to stay well within the Government's fiscal targets and providing further headroom going into the next spending review.

The economy has maintained record employment levels and is expected to generate sustained real wage growth, especially from higher-income earners, providing what has been described as "tax-rich economic growth". However, I note that my noble friend Lord Macpherson cast doubt on these tax projections based on his long experience at the Treasury.

The Chancellor is also lucky because he has been able to sidestep taking tough decisions while Brexit negotiations are ongoing. He is quite right to retain as much dry powder as possible to respond to the different scenarios, but at some point soon the difficult choices will need to be made and the pressures to spend more will become irresistible.

Having reduced the deficit from almost 10% of GDP at the beginning of this decade to barely 1% now; with debt to GDP declining to well below 80%; and with the debt service ratio helpfully remaining steady at around 2% of GDP, the temptation to loosen the purse strings will seduce even the most prudent of Chancellors. Hence the 2019 Spring Statement probably contains the best set of fiscal projections we will see from the UK Government for a long time.

Having harvested his good fortune and preserved his optionality, what should the Chancellor and Government do next to maximise the UK economy's

potential? As with much else in our country right now, the answer depends partly on the Brexit outcome. Until today's latest developments, it appeared that the risk of a disorderly exit had been mitigated by last week's votes in the House of Commons rejecting no deal and seeking an extension to Article 50. That is certainly what the strengthening value of sterling indicated at the time. It now looks like the Prime Minister is backsliding on her position—along with the value of the pound—so we remain in Brexit limbo. Faced with this continued uncertainty, our only option is to try to look through Brexit and ask what is required for the economy to prosper, regardless of the final outcome.

I would like to highlight four priorities covering points of economic policy as well as philosophy. The first is something we should not do, namely to go on a spending splurge. Restoring our fiscal credibility has been hard won, and retaining sufficient fiscal flexibility is an essential part of the macro-policy armoury. A long-standing member of the Bank of England's Financial Policy Committee, Richard Sharp, set out this case very lucidly in a speech he delivered in November 2017 titled, "It pays to be paranoid: the importance of fiscal space", in which he argued that,

"a highly indebted government has less capacity to react to crises: we cannot assume that further shocks do not materialise; and, evidence demonstrates that fiscal space is a vital national resource to have available to counteract such a shock. Reducing fiscal space, therefore, means financial stability is harder to achieve".

We should take heed of this wise counsel, especially at a time when history shows us that another crisis is overdue.

Secondly, we need to re-articulate the importance of wealth creation. Some might view this as a strange and unnecessary point to highlight: surely the merits of expanding the size of the pie are self-evident. Yet whenever I travel around the world and come back to the UK, I cannot help but observe that British politics is focusing either on the zero-sum game of redistribution or reconciling itself to below-trend growth of 1% to 1.5%.

We simply cannot meet the British people's aspirations for higher living standards and better public services without raising our sights and becoming much more ambitious about promoting prosperity. We should not be content with mediocrity and need to guard against reacquiring the British disease that became a leitmotif of this country's stagnation in the 1970s. If the United States, an economy more than seven times the size of our own, can still grow at 3%—adding the equivalent of Sweden in a single year—then we must and can do better.

This leads me to my third and most important point: at the heart of rediscovering the art of wealth creation must be addressing our productivity gap. We need to fix the fundamentals which have left our nation's productivity around 20 per cent lower than the trend it followed before the financial crisis.

To the Chancellor's credit, boosting productivity has been the key underlying mission guiding many of his priorities and decisions during the last six fiscal events that he has presided over. This year's Spring Statement contains welcome measures to underpin investment in infrastructure and housing—representing the biggest public capital investment programme for

40 years—and the funding of several new science and technology projects spanning photonics, bioinformatics, supercomputers and nuclear fusion. All these support the Government's ambition to raise R&D investment to 2.4% of GDP by 2027. We should also welcome the exemption of PhD-level roles from the visa cap, although I hope that this will not be undermined by restrictive rules applied to the family members of such applicants.

While these and other measures are all welcome, Andy Haldane, chief economist at the Bank of England and chair of the Industrial Strategy Council, recently made the following important observation:

"The raw ingredients of improved productivity—skills, experience, infrastructure, investment—take time to build. The time lag between sowing the seeds of structural policy and harvesting its fruit in higher productivity and pay is measured in decades not months or even years".

With our normal political cycle overlaid by polarised politics, there is an urgent need to forge a new political consensus on the basics of enhancing productivity. Such an approach would allow us to stay the course and provide longevity for the strategy without chopping and changing course every few years. For example, we now have a 10-year plan for the NHS. As Robert Halfon MP asked in the other place last week, why can we not have a 10-year plan for schools and education? We cannot solve our intractable productivity puzzle without anchoring the solutions in long-term thinking.

My fourth and final point is about our engagement with the rest of the world. As the HSBC economist Stephen King reminded us in an article earlier this week:

"Westminster is not the centre of the world—and Brexit is not the only topic of conversation. There is a world beyond our borders".

That world is changing fast and we are off the pitch. People the world over are looking at us agog with bemusement and bewilderment as we chase our tails on Brexit. We should not underestimate the opportunity cost of the current impasse.

I started by quoting Napoleon's remarks about lucky generals. He also had some wise words about decision-making, saying:

"Nothing is more difficult, and therefore more precious, than to be able to decide".

It is something that I hope the House of Commons can reflect upon. To govern is to choose. If we fail to take timely decisions now about Brexit it will hold back the economic aspirations and prospects for our country for much longer than necessary and, potentially, with irreversible consequences.

7.38 pm

Lord Northbrook (Con): My Lords, it is a great pleasure to follow the noble Lord, Lord Gadhia, with his great financial experience, and a lot of what I say will be in agreement with his wise words.

There is much to welcome in the Chancellor's Spring Statement. As the noble Lord, Lord Macpherson of Earl's Court, said, and as *The Financial Times* put it:

"A decade on from the financial and economic crisis, the chancellor can now say the deficit is fully under control".

As other noble Lords have said, with the Government's books in 2009-10 in deficit to the tune of £153 billion, amounting to 10% of national income and £1 in every

[LORD NORTHBROOK]

four spent, public sector net borrowing is down to £22.8 billion this financial year, only just over 1% of GDP. This Chancellor deserves high praise for halving the deficit since he came to office, and this has taken place even though the annual debt interest bill is hovering around the £40 billion mark each year.

As the noble Lord, Lord Gadhia, has just said, the Chancellor has made his own luck by running a stable ship throughout the Brexit process. Detailed analysis shows that he has had some good assistance in certain areas. The noble Lord, Lord Macpherson, has already pointed out that unexpected strength in tax revenues explains a large amount of the drop in borrowing across the five years of the forecast. This financial year, according to the *FT*, all the gains in receipts come from higher than expected income tax and national insurance revenues, largely because the incomes of those on the highest pay are growing faster than the average. Surprisingly low inflation and lower interest rate expectations have also cut projected debt interest bills in future.

Moving on to growth forecasts, the news is not so good. As other noble Lords have pointed out, the UK economy is forecast by the OBR to grow in 2019 at its slowest pace since the post-crisis recession, cutting its outlook for growth this year to a meagre 1.2%, down from the 1.6% expansion pencilled in in last November's predictions. In context, however, the GDP growth forecast figures are still higher than those for Germany, slightly increasing to 1.4% in 2020 and 1.6% in each of the final three years. The relatively modest recovery in GDP growth hinges on a revival in productivity and steady wage growth supporting a pick-up in consumer spending.

I will now consider employment and wage growth. Under the Conservative-led Government, more than 3.5 million net new jobs have been created. By 2023, the OBR expects to see 600,000 more new jobs. According to the Chancellor, last year 96% of them were full time, scotching the Opposition's constant claims that they are zero-hours contracts. On wage growth, the OBR has revised upwards its forecast to 3% or higher in every year, with inflation around the target throughout the forecast period. This means real wage growth in every year of the forecast.

So the UK economy is showing surprising resilience. But this progress, and the chance to end the austerity that has sapped public services for a decade, are in jeopardy. The uncertainty over the UK's exit from the EU must be lifted and a no-deal departure avoided. If the UK leaves the EU with an agreement, the Chancellor said the country would have real choices on how much of his notional "deal dividend" it could spend on public services or tax cuts. But, as the Chancellor said, a no-deal Brexit would deliver a significant short to medium-term reduction in the productive capacity of the British economy—so the idea that there is some simple, readily available fix that can be deployed to avoid the consequences of a no-deal Brexit is, I am afraid, just wrong.

I move on to an area where spending has been cut back too far. On this, for once I agree with the noble Lord, Lord Tunnicliffe. According to a 2018 paper by the Institute for Government, net expenditure on police

services in England and Wales had fallen by 18% in real terms from spending in 2009-10. At the end of March 2018, there were 15% fewer police officers than in 2010. There is also a reported shortage of detectives. In its 2017 evaluation of police effectiveness, Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services reported a "national crisis" in the number of investigators, estimating a 17% shortfall of more than 5,000 staff.

The crisis has been brought even more into focus by the rise in knife murders in London and the increasing problems being brought about through gangs and drugs issues. If no new money is available apart from a one-off £100 million, will the Minister tell us, as a matter of priority, whether the money could be found from elsewhere? Perhaps some of our overseas aid budget—particularly that given to relatively well-off countries such as India and China—could be diverted to this much more urgent problem at home. There seems for some reason to be a stubborn resistance by the Government to spending more money in this area, which should be a key priority for the Conservative Party, as the party of law and order. This expenditure would pay for itself in the future.

I now turn to what the Spring Budget means for personal finances. I welcome the increase in the personal tax allowance to £12,500 and the rise in the higher-rate threshold to £50,000, but still believe that the top rate of income tax should be brought down to 40% to replicate the rate under the last Labour Government. Sarah Coles, a finance analyst at Hargreaves Lansdown, made the following comment:

"The impact of inflation, wage rises and asset price growth means many more people will be paying more tax over time. By 2023-24, inheritance tax is expected to make an extra £1 billion a year and capital gains tax £4 billion".

Meanwhile, income tax is forecast to rise by more than £50 billion and national insurance more than £35 billion. If you look at the other side of the equation, welfare spending is expected to increase by no less than 19%—nearly £42 billion—over the next five years, with the biggest factor being state pension expenditure, which is forecast to rise by 26% or £24.5 billion. There has to be a limit to tax increases: we are now as highly taxed as in the 1980s.

On offshore tax, I note that HMRC has received 5.7 million records on UK taxpayers' offshore accounts—more than treble the records it received in 2017. I welcome the crackdown on overseas tax evasion and note the co-operation from more than 100 overseas jurisdictions. I note the decision of the OBR to categorise provisionally the increase of probate fees as a tax, which must be correct, despite what the Ministry of Justice says. What are the Minister's views on this?

Finally, I welcome the Government's proposed review into the contentious loan charge, highlighted by my noble and redoubtable friend Lady Noakes. I agree with my noble friend Lord Wakeham about some of the responsibility resting with taxpayers who went into these schemes. I await with interest the report that will be published on 30 March.

The Minister talked about the birds and the bees, but did not say much about the third B—Brexit. We are in a most uncertain time economically due to

Brexit, but, with a difficult hand, the Chancellor has done well. The times ahead will be uncertain and the effects of no deal on the public finances could be serious. For instance, I read today that, according to Ernst & Young, financial services companies have announced plans to move £1 trillion of assets into the EU. The financial services industry accounts for roughly 12% of the UK economy and employs 2.2 million people. It estimates that it will cost the country £600 million in tax. I feel that the Prime Minister's deal, while not being perfect, provides an adequate solution, and I would welcome it somehow getting through Parliament. The uncertainty of delay is much worse for the economy.

7.48 pm

Lord Davies of Stamford (Lab): My Lords, it is a pleasure to follow the noble Lord. What he said about the transfer of businesses from the City to the European Union is absolutely right, and very worrying indeed. It is a very extraordinary situation today, something that I have never seen before or even dreamed of. Governments all over the world, generally speaking, like to present themselves as enhancing by virtue of their wise policies the prosperity and incomes of their citizens. Today in this country we face the fact that the Government admit, very honestly—I pay tribute to their transparency in making this quite public and not hiding it—that their policies are directly bringing about a very substantial reduction in our national income, from 6% to 11% depending on which part of the country you live in. It has never happened before that we have had such a massive reduction in our income, even during the 1973 oil crisis, which I remember very well. It has certainly never happened before that a Government have had to quantify the negative impact of their own policies in this dramatic way.

The Government have found that it is very easy to destroy value in life and to destroy income. We are currently in the largest and purest single market in the world—purest in the sense that there are the minimum number of obstacles to trade. If you leave a large market, what happens? You lose all its benefits. A large market gives you a much greater opportunity for specialisation, competition and economies of scale. Those are the drivers of productivity. If we are interested in productivity increases in this country—we ought to be, because several participants have reminded the House how we have a chronic problem with our productivity—it is impossible to imagine anything more damaging than leaving the single market.

We have generated a great deal of uncertainty. Everybody in financial or business circles knows that uncertainty is a risk. If risk rises, the cost of capital rises. If the cost of capital rises, investment automatically falls. We have heard it referred to several times this evening, although no one dwelt on the point, that investment spending in this country has fallen over four quarters consistently every year. That is an extraordinarily serious situation. I do not think that anyone who knows the first thing about economics could fail to be extremely worried about what that says about the temperature of the patient and the prospects for our economy and prosperity. Something very urgently needs to be done.

Then there is an aspect that the noble Lord and other colleagues have referred to, although no one has taken it up to the extent to which it deserves to be emphasised. There has been a very distinct movement of businesses out of this country, particularly in manufacturing. The Government are aware of that, and they have responded by trying to bribe—perhaps I should say providing subsidies to—the companies concerned. The Government know all about the Japanese motor industry, but you cannot subsidise everybody because one person's subsidy is another's tax rise. That really has not worked. As far as I can see, the Government have not taken any notice of the warning they have had from EADS, which is of course now called Airbus—a key figure in British manufacturing. It would be very worrying if it moved to the continent, as it could well do and as it has said it could.

Then there is financial services, which the noble Lord referred to. I was particularly worried to see that Bank of America, the biggest bank in the world, has decided to move its European operations elsewhere. I think that the trading is going to Paris and the other operations to Dublin. Ernst & Young has been referred to once or twice. Together with Deloitte and KPMG, it is the largest accountancy firm in this country and one of the largest in the world. Of course, these days it does not spend most of its time doing audits. It is in a very big way in corporate finance, management consultancy, and, indeed, consultancy to Governments. The British taxpayer pays an enormous amount to these companies. Ernst & Young is leaving London as well. Goodness knows how many high-powered jobs earning more than £100,000 a year—real prosperity—is being shifted in this way as we speak day by day. Of course, if finally we do leave—some people are desperately hoping we find a way to avoid leaving, although they do not want to take a final decision until they have to—I am afraid there will be quite an exodus and we will suffer from it greatly. It could be that the Government's projections will actually be proved too optimistic. This is extremely worrying.

What is to be done about it? If there is a problem one should always ask oneself what the solution is. Clearly, the solution is to allow the British public to take a view on the present situation and all the policies the Government are pursuing, all of which involve costs of some kind or another and none at all involve gains. There are no benefits. There are no gains. The other day I dealt with the problem of the Government keeping on saying that there are gains because there are going to be opportunities for new trade deals around the world. I think I demonstrated to the House that that is complete illusion.

Day after day over the last 12 months we have been debating here the problems we will have with leaving Euratom, the European Medicines Agency, Europol and the other security institutions involving automatic transfer of information from British police forces to continental police and intelligence forces and vice versa. They are enormously important. We need to turn to the British public and say: "You are now in a position to make your own balance sheet. You can see whether you think it is a good idea or not". If the British public are allowed to take a second, more informed look at this matter—all of us on all sides of

[LORD DAVIES OF STAMFORD]

the debate must be more informed as a result of what has happened over the last two years—I think a whole dam of investment that is being held back would be released and we would greatly benefit.

If that does not happen, the Government have some much less attractive choices. We certainly will need some kind of countercyclical stimulus. Most participants in the debate this evening have urged a fiscal stimulus. The noble Lord, Lord Macpherson, and my noble friend Lord Hain spoke in favour of that. I ask them to hesitate a little before they come to that final conclusion. The history in this country of discretionary stabilisation through fiscal measures is not a happy one. Generally speaking, by the time the bureaucracy has got its act together, gone through all the planning inquiries, gone through all the tendering procedures that it has to do, the world has moved on and the cycle has turned. All the public spending contributes perhaps to overheating in the next economic phase, destabilising the economy rather than stabilising it.

Unless the Treasury is convinced that it has solved this problem—I see no evidence of that at all—I would be very hesitant indeed at placing the main burden for countercyclical stabilisation on fiscal measures of that kind. Nor can you use tax reductions. Cutting income tax or VAT is a very good way of stimulating consumer demand but that would be very irresponsible. Anybody knows that no Government can put those taxes up within sight of a general election or within two or three years of a general election. They would not be put up when they needed to be, so that would not be an honest or an effective policy to pursue. It is very dishonest and very irresponsible, in my view—not that anybody has actually suggested it, I am glad to say.

What remains is to rely on the Bank of England—on the Monetary Policy Committee. The noble Lord, Lord Macpherson, was concerned about inflation if monetary policy is relaxed in any way. We are so far from inflation at the moment. All the pressures are contractionary so I do not think that we should worry too much about that. If perhaps because of a concentration of increases in prices—because we were imposing new tariffs on ourselves—momentarily the inflation rate goes above 2%, the Bank of England MPC will always write a letter to the Treasury to explain it. I think that explanation would be accepted by the markets in present circumstances. I would be very cautious indeed about going down the fiscal route unless there are some assurances for the problems I have just listed.

We obviously have to do something and must try to restore some confidence in this country. At the moment I would say that almost any kind of fiscal or monetary stimulation would be relatively ineffective. We would need an awful lot of it to achieve any result because the confidence factor is lacking. It is lacking above all because the Government are so incompetent and the Prime Minister has now become worldwide a kind of legend of incompetence. In our country's interest none of us should allow it to continue for too long.

7.58 pm

Lord Bilimoria (CB): My Lords, three years ago, exactly at the time of the referendum, the UK was the fastest-growing economy in the western world, respected around the world, at the top table of the world, including at the European Union and then Brexit happened. In spite of this, as the noble Lords, Lord Leigh and Lord Gadhia, have said, the *FT* said up front:

“Britain’s economy is showing surprising resilience. Public finances are in better fettle than expected. But this progress—and the chance to end the austerity that has sapped public services for a decade—are in jeopardy. The uncertainty over the UK’s exit from the EU must be lifted, and a no-deal departure avoided”.

Those are the two key aspects: uncertainty and the risk of no deal.

The Chancellor described an economy in reasonable and in some cases excellent shape—employment is at a record high and unemployment at a record low of 3.9%—and it is still growing, albeit down from 1.6% to 1.2%. Borrowing has fallen to just 1.1% of GDP. This is down, as the noble Lord, Lord Macpherson said, from 10% a decade ago, which is brilliant. Net public debt is on a sustained downward path: it is now projected to fall from 82.2% of GDP in 2019-20 to 73% in four years. This is all very good. Then we hear about funding for high-tech research and exempting PhD-level roles from the cap on immigrant visas: that is a positive signal. The *FT* says very clearly:

“Against the fantasies offered by Britain’s Brexiters, the chancellor’s statement offered a dose of realism”.

The Chancellor said very clearly that now was a chance for,

“building a consensus across this House for a deal we can, collectively, support”.—[*Official Report*, Commons, 13/3/19; col. 352.]

That is exactly the opposite of what his boss, the Prime Minister, has been saying. The Spring Statement was sandwiched between the humiliating second defeat for the Prime Minister and the no-deal vote the following day. The Chancellor also made very clear his opposition to a no-deal Brexit, saying that it would shrink the economy, push down wages and put up prices—a national calamity. Yet what has the Prime Minister said many times? “No deal is better than a bad deal”. We have heard that so many times.

What did the CBI have to say about this? Rain Newton-Smith, the CBI chief economist, said:

“Against a hugely uncertain political backdrop the Chancellor has made an admirable attempt to set out a long-term vision for the UK economy, yet remain shackled by Brexit. This year’s forecast downgrade brings the danger of no deal to the UK economy sharply into view. It must be avoided”.

Doctor Adam Marshall, director-general of the British Chambers of Commerce, said:

“The Chancellor is right to warn of the risks that a messy and disorderly exit on March 29th would pose for the economy. Westminster must heed the fact that businesses and government agencies are simply not ready for such an abrupt change, and Parliament must take concrete action tonight and in the coming days to avoid no-deal in just a fortnight”.

This is business speaking. Business is terrified of a no-deal Brexit.

Let me go into some of the detail. I was on the Finance Bill Committee and of course we challenged HMRC about Making Tax Digital, saying that businesses

and HMRC have to be ready for it. It is a burden on business and there is still not sufficient understanding of it. How will HMRC, with stretched resources at the moment, having to deal with Brexit, cope with Making Tax Digital? Will the Minister address this?

There is good news overall on many fronts, with many challenges on employment and immigration. While non-EU immigration is actually going up, EU immigration is plummeting. If we have 3.9% unemployment, which many noble Lords have referred to as full employment in economic terms, what will we do without EU immigration? We have 3.5 million people: what will we do without them? We will have an acute labour shortage. Average earnings have grown by 3.4% over the past year—their fastest in a decade. The noble Lord, Lord Macpherson, spoke about higher tax revenues. Here we have low inflation, low borrowing costs, higher wages and happy households: this is great. Business investment, on the other hand, is suffering. We have had four consecutive quarters of falling business investment. Why? Because of uncertainty over Brexit. Then there is the backdrop of global uncertainties, with the financial markets, possible recession, trade wars, trouble in China and all these challenges as well.

Getting down more to the nitty-gritty, I turn to business rates. Retailers are struggling but the Chancellor did not really address this. It has been dubbed the “high street Armageddon” by the head of the British Retail Consortium. The British high street looks as though it is reaching a really desperate point. January saw the biggest drop in footfall in five years. For many small businesses, renting a unit on the British high street is just not a possibility. The death of the high street has many implications beyond shops closing down. There are social and economic impacts, which are far more wide-ranging. Maybe the Minister will address that point as well.

We then have the so-called Brexit dividend of £26.6 billion, but again this is linked to our productivity. My noble friend Lord Gadhia talked about the challenge we face. Yes, there is good news about graduates at PhD level being allowed to come in, but was mention made in the Statement about increasing funding for universities? What about increasing funding for R&D and innovation? When it comes to productivity, let us not forget this. I chair the Manufacturing Commission and I am the proud manufacturer of Cobra Beer, which we produce here and in Europe. We are proud of manufacturing in this country because it is the best of the best. The top 10% of companies in this country are the best in the world for productivity, but it is the long tail of the 90% that is the problem that needs to be dealt with.

On higher education, we are 1% of the world's population but we produce 16% of the leading research papers in the world. Just imagine what that could be if, instead of 1.7% being spent on R&D, our investment was the same as that of Germany and America at 2.8%, let alone Israel at 4%? The Chancellor said, “We will use the Brexit dividend to improve public services, increase spending on infrastructure, cut taxes and reduce debt”. Paul Johnson of the Institute for Fiscal Studies, however, has said that it would be,

“irresponsible to open the Treasury's wallet before the Brexit debate had reached a conclusion”.

We return to uncertainty. We have the lowest forecast level of growth rates, at less than 2% for five years running. We are growing, but we are growing under a cloud of uncertainty. Do the Government have the money to deal with a no-deal Brexit? Is the Minister confident that they do? The Chancellor also said in a message to Brexiteers:

“The idea that there is some readily available fix to avoid the consequences of a no-deal Brexit is, I am afraid, just wrong”.

Does the Minister agree with that?

One item I should like to focus on is policing. The Chancellor says that he will immediately make available £100 million over the next year to pay for extra policing. A neighbour where I live in west London told me that the house opposite her had been burgled, the house next door had been burgled and she thought it would be her turn to be burgled next. She said, “I am so scared when I get out of a taxi or an Uber at night that I ask the driver to wait until I have gone through my door”. Last summer my daughter said that she was scared to walk home from the Tube station because of the stories of things that had happened to her friends. Just today I read that last night there was a mugging at knifepoint at our local Tube station. Numbers in the Met Police in London have fallen below 30,000 for the first time in 15 years. Our very capable commissioner, Cressida Dick, has said that a lack of resources is a factor in homicide rates reaching a 10-year high. There are more and more accusations that the Government are losing their fight against crime. What is an investment of £100 million when billions are required? Figures show that offences have risen by 14% while the number of police officers has plummeted to record lows. The surge in knife crime is front page news all the time. There have also been increases in all other crimes, including burglary, sexual offences, car theft and robberies, yet the number of police officers has fallen to 121,929, the lowest figure since comparable records began 22 years ago.

There has also been a fall in neighbourhood policing. I do not see any neighbourhood police officers in the area where I live, although I used to see them all the time. Overall, taking inflation into account, funding has fallen by 18% compared to an increase in funding of 31% between 2001 and 2010. Who was Home Secretary after 2010 for six years when all these cuts took place? Direct government funding has fallen by 25% over the same period. The number of homicides has increased hugely, with 40,000 offences involving a knife—an increase of 16%. These figures are corroborated by National Health Service hospital admission rates resulting from these crimes. With 1.1 million violent crimes recorded, an increase of 21%, the numbers continue to rise. Recorded crime has gone up by 9% in England and Wales; these are record figures throughout. Some 50% of the public have not seen a police officer in a year. This is really scary. As I say, we should be investing billions in policing, not £100 million.

In the withdrawal agreement, which runs to 585 pages, three things are agreed: the bill of £39 billion, which is a pittance compared with a £2 trillion economy; the rights of EU citizens here and UK citizens in Europe, which should simply happen—we should never use people as bargaining chips; and the backstop. Nothing has actually been agreed.

[LORD BILIMORIA]

What about the political declaration? In this implementation period of less than two years we have to agree on: data protection, Union progress, tariffs, regulation, customs, services, investment, financial services, digital, capital, intellectual property, public procurement, mobility, transport, energy, fishing, global co-operation, security, law enforcement, judicial co-operation, data exchange—we use one European database 500 million times a year—operational co-operation, foreign policy, defence, cybersecurity, intelligence, space, development co-operation, health security and dispute settlement. It has taken two years to do three things.

I see that I am being asked to finish, but I am well within my time. Noble Lords may not like what I am saying, but it is the reality.

The PM's deal now has an implementation period of less than two years. No deal is still a possibility, and that could be extended to infinity and beyond. Internal and external investment will continue to be held back. David Lidington said just six days ago:

“In the absence of a deal, seeking such a short ... extension would be downright reckless ... making a no-deal scenario far more, rather than less, likely”.—[*Official Report*, Commons, 14/3/19; col. 566.]

Now the Prime Minister is seeking a three-month extension, crossing the European Union elections, until the end of June. What is going on?

According to the latest survey from YouGov, 52% of people are in favour of an extension. The public want it. The Government are not on the public's side. It is now said that, in a choice between May's deal and remaining in the European Union, 62% would favour the latter. The Minister told me earlier that 7.5% of the economy would be better off under the Prime Minister's deal compared to no deal. Compared to the PM's deal, how much better would the economy be with an EEA-Norway option? How much better would the economy be if we remained in the European Union? It is the best option by far.

Three-quarters of newly eligible voters would back remain in a second referendum: with 2 million more youngsters and 1.5 million who have sadly passed away, 3.5 million more than last time would vote to remain. There would be an outright vote to remain if we were given a chance. That is at the crux of what we are talking about.

8.11 pm

Lord Suri (Con): My Lords, this is a country in good economic health. The Chancellor's Spring Statement confirmed that the difficult decisions made in 2010 and continued to the present day were correct, necessary and proportionate. We now stand in a much improved financial position. There have been nine consecutive years of growth, the OBR has forecast further growth every year for the next five years and the employment miracle endures.

Since 2010 more than 3.5 million people have found work, and the unemployment rate of 4% stands lower than it has at any time since the mid-1970s, when I imagine most of us entered politics. While debt did peak in 2016-17, it has now started to fall at a sustained rate, and this gives me great cause for optimism.

A country which recklessly grows its debt pile is simply storing up problems. If the Opposition were to gain power and implement many of the ideas in their manifesto, we would be burdening the younger generation with more and more debts that they would have to pay off through reduced spending or increased taxation. I am pleased that the Chancellor has recognised this reality. It seems that, after a sustained period of austerity, we are in a satisfactory position to increase spending on a range of vital services, which I am sure will be warmly received across the House.

However, this will need to be underpinned by an agreement on our withdrawal from the European Union. I have been clear since the referendum that we in this and the other place must give effect to the will of the people. The withdrawal agreement that the Prime Minister has negotiated strikes a good balance between maintaining close economic and security ties with the EU and respecting the wishes of the people to leave the bloc.

There will doubtless be an extension. Some will not mind, but they must think hard about the needs of business. We have suffered through almost three years of painful uncertainty, struggling to know what the future relationship will be for our largest export market. A further long extension would be a slap in the face for those who voted to leave and those who need certainty. It would undermine business investment, encourage lower consumption and diminish tax revenues.

In that scenario, the easing of austerity that I mentioned before will simply not be possible. Additional funds will need to be diverted for more wasteful no-deal planning. I therefore urge my colleagues in the other place to pass the deal when it returns, and let us get on with delivering a solidly pro-growth, pro-jobs agenda.

I should add that I am pleased to see a fresh rise in housebuilding. Last year, England delivered more than 222,000 new homes, the highest total in all but one of the last 31 years. This is a vote of confidence in one of our most under-supplied markets and a strong step towards the 300,000 target.

I am pleased that a significant portion of this round of the housing infrastructure fund is going to large sites such as Old Oak Common and Didcot garden town. However, the Letwin review specifically mentioned the difficulties of upgrading infrastructure on large sites. Therefore, the updating of planning guidance will need to be done in time for it to be useful for this round of infrastructure upgrades, and I hope that the Government are cognisant of that reality.

8.16 pm

The Earl of Listowel (CB): My Lords, it is a pleasure to hear the noble Lord, Lord Suri, remind us of the success of the Government in achieving the highest rates of employment since records began. We owe a great debt to the Government and particularly to the noble Lord, Lord Freud, who was so passionate over such a long period of time about helping people into work. He always made the case that among the many benefits of work is the benefit to the mental health of those in work. It is also encouraging to hear that the Government are proposing a low wage commission to look at low pay. Obviously, it is not just about work, the work needs to be reasonably paid. I think that

60% of children in poverty have a parent who is in work. So we need to do better, but I think that the Government are doing a very good job in that regard, and that is important.

I thank the Minister for opening the debate in the way that he did. I am not sure that I can match his speed of approach or his lyricism, but I will do my best. One aspect that I am going to emphasise is the point made so ably by the noble Lord, Lord Shipley, and by the noble Baroness, Lady Thornhill, about the need to fund local authorities better, particularly in terms of their services to children and families.

Productivity is an issue that recurs in debates about the economy. I think the noble Lords, Lord Gadhia, and Lord Macpherson of Earl's Court, referred to it. Productivity might be very much about technology, skills and education. They are important, but so are emotional well-being, mental health and a good upbringing that provides secure relationships and security to children. We have become more aware that early experiences in life can colour the rest of one's existence. If one wants to be a mentally healthy and resilient adult, one needs to have a secure upbringing. If you want employees who are good at communicating with other people, who turn up regularly, who are not unwell, investing in services for vulnerable children and families is very important.

My experience with looked-after children highlights this. Billions have been spent on improving the educational outcomes of looked-after children, and still only 7% go to university. We must recognise that this is not just about extra spending on tuition or designated teachers but about addressing the mental health needs of these young people. Their needs are often exceptional because of the trauma they experience coming into care. In beginning to address that, one must do both things. Above all, for many years I have heard from looked-after children and children in care that a consistent, reliable relationship with a caring, interested adult is the most important thing for their recovery and their ability to move forward. I have heard that again and again, and practitioners say it as well. A sustained, benign, reliable and consistent relationship will, over time, help children to move on.

What is true for this extreme group—extreme because of their extreme experiences—can be applied to the wider whole. All our children, particularly those who are vulnerable for one reason or another, benefit greatly from consistent and reliable relationships. We should strive for those all the time. Achieving productivity and other positive outcomes provides our children with secure early experiences. Part of that includes investing in local authorities, and children and family services. Your Lordships may be interested in Sir John Timpson, who wrote a handbook on attachment and who, together with his wife, fostered more than 90 children. He made the same point about the importance of reliable, long-term relationships.

I welcome what the Statement says about knife crime and investment, particularly in the police. That seems very important. I also welcome some investment not mentioned in the Statement: £60 million for maintained nurseries, which offer some of the best-quality early years provision in the country. If we want children

to have a secure start in life, we should support that. Two or three years ago, about half of those nurseries were facing closure. However, thanks to the hard work of Lucy Powell, a Labour MP and chair of the All-Party Parliamentary Group on maintained nurseries, and the nursery managers who attended her regular meetings, the Children and Families Minister, Nadhim Zahawi, has come forward with £60 million to prevent current closures. He has also committed himself to working hard to make this case in the summer funding review. I hope that the Minister will take this back: these nurseries need continued funding over time if they are not to close. They offer the highest-quality provision. Report from your Lordships' House have demonstrated that the most vulnerable benefit most from that high-quality provision. It is money very well spent.

Yesterday, the Secretary of State for Housing, Communities and Local Government spoke to the Centre for Social Justice about the importance of a troubled families initiative and produced an evaluation showing how much difference it made, particularly in terms of keeping children from entering care when those families support it. I warmly welcome that work and funding stream from government. I hope that the Government will look at continuing to fund it past 2020. Again, that is something for the review to consider.

Housing has been mentioned. When I think about housing, I feel so distressed. Over the course of a year, I followed a mother through her experience in moving from a domestic violence refuge into temporary accommodation. She sent me photographs from time to time. Her accommodation was very overcrowded. She was there with her daughter and granddaughter. She was so anxious about the future and had no idea where she would be placed—perhaps out of London, where she knew nobody. Today, she is in a well-balanced state, but it is an appalling failure on all our parts that 130,000 children in this country are living in bed and breakfast or hostel accommodation. Other nations, such as Germany and France, struggle but they do a far better job than we do. If we want children to have a good start in life, they must have proper, reliable shelter. I welcome the Government's progress in this area; they have made several important advancements. I hope that in his response the Minister might confirm the Government's commitment to social housing for low-income families, which I know they feel is very important indeed.

In my work as treasurer of the All-Party Parliamentary Group for Children, chaired by Timothy Loughton MP, a former Children's Minister, we have had two reports over a period of three years that have looked at children's services in local authorities. We found that the early intervention has been cut way back, as we have heard from various speakers. It is a terrible thing that vulnerable families are not getting the support they need. We are intervening far too late. We are perhaps seeing the effects of this in knife crime; in other areas, more children are being taken into care. So again, I make the case very strongly for investing in children and family services.

I recognise that it is getting late, but I will give one example. Successive reports have identified how important the work of health visitors is. Norman Lamb, the

[THE EARL OF LISTOWEL]

chair of the Science and Technology Committee in the other place, reported last year on the evaluation of early intervention services and highlighted the importance of health visitors. Many people recognise the importance of health visitors. Again, though, their numbers are in decline. I pay tribute to the Government for rebuilding those numbers, over several years. The Government placed health visitors in the Department of Health and Social Care and they were well funded for a period of time. For the last three years they have been placed in local government, which simply has not been able to afford to fund them. I spoke to the founder of the Institute of Health Visiting yesterday and she reported the serious decline in this very important resource.

If any of your Lordships wish to find out about the housing conditions of vulnerable families and know more about their experiences, I cannot recommend too highly going out to visit with a health visitor. I would certainly be happy to organise that with the Institute of Health Visiting. I have made such visits on several occasions: the last woman that I remember visiting was isolated and did not know a soul in this country. The health visitor was able to give her comfort and highlight that there was a children's centre just down the road from her. I hoped very much that she would take that advice on board.

I am sure that my time is up. I will say one last thing on sixth-form colleges. Skills are so important to our economy and yet, in real terms, their funding is just about as much as it was 30 years ago. We must think about investing more in sixth-form colleges, through the review. I look forward to the Minister's response.

8.27 pm

Baroness Kramer (LD): My Lords, I realise that I am being upstaged by the Prime Minister, who I understand is about to make a statement in front of 10 Downing Street. We have no idea what the content of that is. The noble Lord, Lord Hain, used the word "surreal": that probably describes the situation. It is surreal. We have absolutely no idea when Brexit, how Brexit, or if Brexit; and all of that makes this discussion we are having on the economy essentially one of astrology, which I think was the word that my noble friend Lord Scriven used.

It is also surreal in a second way. I listened to the Chancellor's Spring Statement and thought, "What economy is he looking at?", when he said that the fundamentals are strong. I cannot imagine a single Member on the Conservative Benches, if they were listening to a Labour Government describing GDP growth of 1.2%, rising in the medium term to 1.5%, agreeing that that was satisfactory or acceptable. Those are appalling numbers, particularly at this stage in an economic cycle. We really have to take on board the message that that gives us about the problems and the scope that we have to deal with. I hope that at some point the Chancellor drops the PR and takes on board the very serious implications of that kind of insipid growth.

The noble Lords, Lord Bilimoria and Lord Davies, made the point about the underlying problem of chronic low productivity—running at a forecast rate of 1.2%. I say to the noble Lord, Lord Leigh, who thinks that the numbers might not be well calculated, that our running

rate prior to the economic crisis was in excess of 2% a year. You can give any explanation you like; it does not cover a rise from 1.1% to 2%. This is a fundamental problem that we have to tackle. I very much agree with the analysis of the noble Lord, Lord Bilimoria: it is about not our top companies—that is where the Chancellor always focuses his efforts to increase productivity—but that long tail of small companies. We will have to take that on; it will need new ideas and investment. Quite frankly, it is a huge challenge and I wish it were being addressed more directly.

Export growth is weak, despite the cheap pound. Many noble Lords talked about the drop in business investment, which has fallen for four consecutive quarters. I pick up the point that the noble Lord, Lord Davies, made: many manufacturing jobs have moved. The noble Lord, Lord Northbrook, referred to the report from what I still call Ernst & Young, but which now calls itself EY, which estimates that the financial services industry has committed—this is no longer a "might" or a "perhaps"; it has actually committed—to moving in excess of \$1 trillion of assets out of the UK to Europe. The noble Lord thought the tax impact of that was £600 million. I think that was the impact of the 7,000 jobs the financial services industry has now committed to move, and that is assuming fairly low rates of pay. It does not tackle the loss from transactions now being registered over in continental Europe, and therefore all the corporate tax that would be generated by that is gone as well; we have no estimate of those numbers. That is just one industry.

The noble Lord, Lord Davies, picked up an issue that is frequently missed, certainly by the Treasury: the decision by Bank of America to move its European headquarters to Dublin and its trading headquarters to Paris is absolutely fundamental. BofA does not move without the say-so of the US Treasury, and that message has shot right through the entire financial services industry. It is extraordinarily significant, and we need to get serious about it.

Consumer spending fell by 1.8% in February; that extends the downward trend to five months. We know we need infrastructure, but the collapse of Carillion and Interserve undermines most of the immediate-term plans to try to expand major capital projects, so we have a series of problems there.

I fully accept that the Chancellor had two pieces of good news. One is that people are paying their taxes more promptly. However, the noble Lord, Lord Macpherson, reminded us that that serendipity often turns with no warning, so we should enjoy it while we may. I am glad that taxes are coming in but we had better recognise that that could switch. The other was good numbers on employment and wages growth. I want to give a warning. The noble Lord, Lord Leigh—we had a conversation earlier in the Prince's Chamber—picked up a point that I would make: this is a lagging indicator, not a leading indicator. I hope the Treasury knows the difference. It also matters in other senses. One is that if you are looking at a 1.2% growth rate and you have virtually full employment, this tells you that you have a problem with a shortage of working-age population. This is an issue now being picked up by the Resolution Foundation. We have a really serious

demographic problem: we are short of working-age population. Frankly, all the anti-immigration language we hear can only make that problem acutely worse. It is a fundamental issue that the Chancellor will have to address.

Among others, my colleagues on these Benches—my noble friends Lord Shipley, Lady Thornhill and Lord Scriven—underscored the problem we face in public sector services. We have now cut too long and too deep, and we can see that it has gone into the bone by all the issues raised across the Floor today. I heard my colleagues talk about the crisis that local government faces—shortfalls in revenue amounting to something like £8 billion by 2024; the difficulties in delivering social care, not just for adults but now increasingly for children; policing; and knife crime. The noble Earl, Lord Listowel, talked eloquently about the problem of children in care. It almost does not matter which area we look at today: we still see a serious crisis in the public sector's ability to deliver a quality of service that we find acceptable.

If I follow that logic through, I end up talking about taxes. I agree very much with the noble Lord, Lord Wakeham, that we have to make sure that the large digital companies pay their fair share. That will take creativity, aggression and determination. We are not quite sure how we are going to do it, but we have to put that near the top of the agenda.

I sit with my colleagues and say that this is the time to look at those cuts in capital gains tax. I do not think they have yielded any increase in investment, and they should therefore be reversed. There are also the cuts in corporation tax. We have not seen businesses take that tax saving and put it into the economy. If anything, it has gone into share buybacks. It is time that those cuts, too, were reversed. We also need to revise completely the way in which business rates are defined. I am in the camp that talks about looking at land value taxes—although, as the noble Earl, Lord Lytton, reminded us, that requires a transition process, to make sure that people are not injured in the passage from one system to another.

As for social care, we need a broad solution. Like many others, I think that we need to think about hypothecated taxes for the NHS and social care if we are going to deal with the problems in those areas. Yet in the Statement all those opportunities were neglected, and not taken.

My last point is about the loan charge—a subject on which I disagree with the noble Lord, Lord Wakeham. I am on the APPG on the loan charge, and I have now heard the evidence of so many individuals. They are not celebrities or high earners but, for example, people who used to be local government employees, often in social care, but who have now been outsourced. They were told that in order to carry on the same work, they would have to go to the Government's identified recruitment agency. They had no idea that the papers they signed were putting them into an arrangement involving loan charge. All they knew was that their take-home pay before, when they were employed, and afterwards, when they were outsourced, looked pretty much identical.

Government departments are deeply embedded in this, because despite all the statements by HMRC, numerous people are now coming forward who were taken on by HMRC on an agency basis: that was the only way in which they could be employed to do that work. Those very bodies, which I assume had been pre-qualified by HMRC, and which had written the specifications for what they had to do in order to recruit, were the ones that introduced people to the schemes that have now landed them in loan charge problems. There are so many serious problems there that I hope there will be real pressure to make the response on 30 March a proper review, not just a limited report. I hope the Minister will take that message back.

8.37 pm

Lord Davies of Oldham (Lab): My Lords, this debate is occasioned by an event called the Spring Statement, which has scarcely been a fiscal event. There were no significant changes to the tax system, and only a small number of spending measures, forming not an economic strategy but almost an emergency response to the failure in government services long experienced by the British people, who are now complaining stridently about it.

Of course, as my noble friend Lord Hain pointed out, the Chancellor's reasoning is that the Brexit shadow is still as dark as ever over the British economy. That makes economic forecasting exceptionally difficult—a position readily acknowledged by the OBR, which based its forecasts on an orderly Brexit, while warning that a disorderly one would have a severe short-term impact. We are nine days away from decisions on leaving Europe, and we have not heard any announcement this evening about what the Government's strategy is. We are as much in the dark over Brexit as we have been—and the whole country has been—for months and months. Whether it will be a disorderly Brexit we do not know, but we certainly do not have an indication that the Government are in control of events and their policies.

The tentative forecast put forward by the OBR does not give the Government a great deal of credit. As noble Lords across the House have recognised, growth forecast has been reduced from 1.6% to 1.2% following nearly a decade when growth has been low. That is as good a measure as one can have of the Government's failings. The OBR continues to stress that weak productivity growth is at the heart of the problem, and noble Lords in this debate have contributed to those considerations.

If, as we have had over the past decade, we have the lowest wage growth for more than a century, when investment has been low compared with other advanced countries—as my noble friend Lord Davies of Stamford emphasised in his speech—and the Government fail to hit their expressed targets, it is not surprising that there is a lack of confidence and an acute problem in the British economy. After all, austerity is an ideological objective rather than an economic necessity, and we have been governed by that for a decade. It has dominated government policy over this period, the consequences being low investment and low growth rates.

[LORD DAVIES OF OLDHAM]

The Chancellor makes a tentative prediction that wage growth will at last be above inflation, but we have had a decade in which the growth in wages has been the lowest for more than a century. Is it a surprise therefore that demand in the economy at present is in an unhealthy position? When I say unhealthy, I mean that what demand we have seems to be correlated by the significant growth in household debt. We have been in this situation before and it is not one which encourages stability or any reason for congratulating the Government.

On the Government's basic competence, the chief financial objective in 2010 of the Conservative Chancellor at that time was to balance the books by 2015. We all remember the long-term economic plan. However, despite all the hardships caused by this policy of austerity, this Chancellor does not expect the objective to be realised until 2025. The decade of austerity has brought havoc in public provision, with the stress so great in some public services that the Chancellor has been obliged at this stage to apply a minor sticking plaster to acute wounds. We see the police budget increased by £100 million—a tiny fraction of the overall police budget—but it is meant to indicate to a disbelieving population that it will address knife crime satisfactorily. The Government continue to deny that there is any significance between the reduction in police numbers and increased crime rates, especially knife crime. They say that it has nothing to do with fewer policemen in action.

The Chancellor managed to conjure together token additional grants for schools to address the school crisis which is causing such discontent among parents and teachers alike. The Chancellor's phrase was that he was going to apply small remedies to the problem. We all know that the educational system is in crisis. It used to be enough when parents expressed their concern. Then we got accustomed to older students, sixth-formers and so on expressing anxiety. We certainly got very used to the teachers expressing their anxiety about school funding. Now the children are making the argument to the Government. Is that an indication that the policy of austerity has gone too far?

It has not been mentioned much in the House today, so I am grateful to the noble Earl, Lord Listowel, for emphasising the problems where children are concerned. In social policy we have seen the continued erosion in the value of tax credits and social benefits, which is to continue for the foreseeable future. The problems with universal credit remain a major feature in the lives of so many of our less well-off citizens. Furthermore, there has been no mention this evening about the very desperate people—generally young people—who sleep rough.

The noble Baroness, Lady Thornhill, emphasised her anxieties about the services provided by local authorities, and said that the system of financing local government was broken. Did anyone—there are plenty of people from that party in this House—anticipate that it would be Conservative county councils, namely Northamptonshire and Wiltshire, that would complain about their inability to provide basic statutory services? That impacts greatly on those most dependent on such services—often those in our society with fewer resources.

Finally, we have had the signal that the Government are making such a success of increasing employment. What the Government have created is large numbers of workers on low pay and long hours and in precarious employment. That is why productivity is not reflecting the buoyancy of employment. The figures look good from the perspective of the Government and elite staff but, for many, employment is based on severe job insecurity. Nearly 3 million people are working for less than 15 hours per week, and one in nine have insecure jobs.

Our society is evolving the need for a more skilled population. With regard to enhanced skills, whose importance we all recognise, there have been government failures in both education and training. Policies are clear for all to see. The cutbacks in schools and further education have produced protests. Colleges, which traditionally provide a crucial opportunity for young people to gain specific employment skills, have had their budgets cut by almost a quarter since 2010. That is how far-sighted the Government are about our manpower needs.

A future Labour Government will pursue an entirely different strategy from the failed economic policies of this Government. We will end austerity and make the wealthy pay their fair share to strengthen the public services on which we all rely. We will establish a national investment bank and a network of regional development banks to support small and medium-sized enterprises and upgrade Britain's infrastructure. We will introduce a financial transaction tax, to curb speculative behaviour that threatens economic stability. We will establish a strategic investment board to guide private investment towards productivity-enhancing and green productive lending. We will reform company law to provide worker representatives on boards, and mandate a maximum pay ratio of 20:1 in public companies and companies bidding for public contracts.

We will seek to increase investment in our key industries and will ensure a close relationship between the financial sector and the world of manufacturing and productivity. We will improve our public services, particularly education, which is so crucial to skills enhancement, and guarantee that the health service obtains the resources required. We will create a fairer society where those on lower incomes and welfare share in the increased prosperity of the nation. This Government have a disreputable past based on austerity, a totally incompetent present illustrated by the Brexit fiasco and no vision of a better future for our people, which this inadequate Spring Statement clearly demonstrates.

8.50 pm

Lord Bates: My Lords, I thank all noble Lords who have participated in this debate, which will probably go down in history. The purpose of the Spring Statement was to focus attention on the autumn as the single fiscal event and to be a light-touch, mid-year Statement simply to update the OBR forecast. This Spring Statement might go down in history for the reason alluded to by the noble Lord, Lord Bilimoria: there was some other business on the day of the Spring Statement. I think we have now spent twice as long scrutinising the Spring Statement as the other place managed. It all heads down to that.

I want to be associated with some of the thanks expressed by noble Lords. The noble Lord, Lord Shipley, thanked the business managers who intervened and drew us out of the Moses Room into what I refer to as “Centre Court” to debate in the main Chamber. That has added to the number of contributions.

Lord Hain: We should thank my noble friend Lord Foulkes.

Lord Bates: Yes, we should thank the noble Lord, Lord Foulkes, in his absence, for making that plea, which the business managers were able to accommodate. I also wish to associate myself with my noble friend Lord Wakeham’s generous tribute to my good friend, colleague and mentor on the Front Bench, my noble friend Lord Young. I had not realised they were celebrating 45 years. I associate myself with my noble friend Lord Wakeham’s generous remarks to my noble friend about his service in both Houses.

I shall try to provide some taxonomy of the contributions, which ranged very widely but more or less settled down in the following areas. The first was, unsurprisingly, Brexit. I began repeating the Spring Statement by referring to what the Chancellor said about Brexit: it is dominating thinking not only in this place but in business. The noble Lords, Lord Tunncliffe, Lord Davies of Stamford, Lord Davies of Oldham and Lord Bilimoria, the noble Viscount, Lord Chandos, my noble friends Lord Gadhia and Lord Northbrook, and the noble Baroness, Lady Kramer, made points about that headwind. The only area of difference between us is that we say that the opposition parties hold it within their gift to dispel that cloud of uncertainty by backing the deal before us, but matters are unfolding. If there is any news to report I hope that a Box note will make its way along to me.

There was—I shall not overegg it—support for and recognition of the progress which has been made, notwithstanding the uncertainty. We enjoyed the noble Lord, Lord Macpherson, describing Treasury civil servants having to deal with disappointment, and I am sure that was enjoyed within my earshot. The reality is that this Statement was able to unfold some positive news about levels of debt, employment and the general fiscal situation. The noble Lords, Lord Macpherson, Lord Wakeham and Lord Northbrook, referred to the positivity. Even the right reverend Prelate the Bishop of Chester—

The Lord Bishop of Chester: Even?

Lord Bates: I am sorry—delete “even” from the record. The right reverend Prelate the Bishop of Chester, whose point about housing I will come back to in a minute, referred to it. The noble Lords, Lord Leigh, Lord Gadhia, Lord Bilimoria and Lord Suri, recognised that progress had been made despite the headwinds. It is absolutely right that we recognise that that progress has been made because British business and enterprise up and down the country—and around the world—is making a Herculean effort, creating jobs, wealth and buoyant tax revenues. These revenues are coming into the Exchequer, giving us the opportunity to look at them.

Across most of the contributions, there was a focus on public services and public spending. As I mentioned, the spending review will be in the summer and conclude

in time for the Budget for the autumn, which will rely on it. Contributions effectively broke down into four areas. The noble Lords, Lord Macpherson and Lord Hain, and the noble Earl, Lord Listowel, referred to social care. The noble Lords, Lord Tunncliffe and Lord Bilimoria, referred to policing, and the noble Lord, Lord Scriven, alluded to the tragic knife crime situation in Sheffield. The right reverend Prelate the Bishop of Chester, the noble Lord, Lord Wakeham, and the noble Baroness, Lady Thornhill, referred to housing. The noble Lord, Lord Shipley, and the noble Earl, Lord Lytton, addressed local government finance.

Two other areas, which were grouped together, were the challenges of the changing nature of tax revenue and collection. The attraction of statutory land tax, which the noble Lord, Lord Wakeham, referred to, is that it is very easy to collect. The changing nature of tax is making collecting tax more challenging. The noble Lord, Lord Wakeham, the noble Earl, Lord Lytton, my noble friend Lord Leigh and the noble Viscount, Lord Chandos, referred to that challenge and ways to address it. Coupled with that is business confidence, which the noble Lords, Lord Gadhia, Lord Suri, Lord Northbrook and Lord Davies, referred to.

I will use the bulk of my time to address the questions raised as a result of those contributions. Several noble Lords asked how the Brexit dividend might be funded. The OBR’s Spring Statement forecast that business investment is weak. The noble Baroness, Lady Kramer, referred to that, and we acknowledge that in the near term. However, as uncertainty wanes, it picks up to 2.3% in 2020 and grows stronger at this pace from 2021 onwards. GDP growth is forecast to be 1.2% in 2019 before picking up to 1.4% in 2020 and 1.6% from 2021 onwards.

The noble Lords, Lord Tunncliffe and Lord Hain, as well as several others, referred to infrastructure. We have increased the National Productivity Investment Fund to £37 billion to support key infrastructure up and down the country. Public investment is at its highest sustained level in 40 years.

The noble Lord, Lord Bilimoria, and the noble Earl, Lord Lytton, referred to Making Tax Digital—indeed, the noble Lord, Lord Wakeham, focused on that and the noble Lord, Lord Hain, touched on it. Research now shows the high level of awareness among business and tax professionals: eight out of 10 businesses were aware at the end of last year and over 80% of those had already started preparing. Of VAT returns, 98% are already done online.

The disguised remuneration loan charge was raised quite extensively, by my noble friend Lord Northbrook; by the noble Lord, Lord Wakeham, on behalf of the noble Lord, Lord Forsyth; and by the noble Baroness, Lady Kramer, with her work on the all-party parliamentary group. Disguised remuneration schemes are and always were contrived tax avoidance. It is not normal or reasonable to be paid loans that are not repaid in practice; my noble friend Lord Wakeham was right in his sage advice on that, as in so much other advice he has given over the years. It is the individual’s responsibility to ensure the accuracy of his or her tax return. HMRC is pursuing the promoters of disguised remuneration schemes and has been

[LORD BATES]

investigating over 100 promoters. In the last year, HMRC has taken litigation action against 10 scheme promoters.

I turn to universal credit and welfare, which the right reverend Prelate the Bishop of Chester referred to and the noble Lord, Lord Shipley—

Baroness Kramer: This really is an important point on the loan charge. Regarding the action that the Minister said HMRC had taken against scheme promoters, I do not believe that any of those schemes was a loan charge scheme. Those are schemes generally, but one of the complaints is that no action has been taken against the promoters of loan charge arrangements.

Lord Bates: I am afraid that I do not have the answer to that. Your Lordships may recall that, after the Autumn Statement, I ended up having to write extensively on loan charges. We know that officials at the Treasury are used to dealing with disappointments and I am afraid we may have to write again on the issue to deal with that point.

On welfare, as the noble Earl, Lord Listowel mentioned, work is the best route out of poverty. I thank him for the recognition that he gave to the incredible growth in the number of people—three and a half million more—in work, and a million fewer people in workless households. These are substantial social changes happening around the country and we believe that that is the best route out of poverty. Changes to the welfare system have ensured that work pays. There is a strong safety net for people who need it, while making the system fair for taxpayers.

The noble Lords, Lord Tunnicliffe, Lord Scriven and Lord Bilimoria, all raised the issue of serious violence. Police forces are already due to receive an additional £970 million from April. Police and crime commissioners have committed to using this funding to recruit and train an extra 2,800 police officers. In addition, the Chancellor announced a package of £100 million additional funding. Of this, £80 million is new funding, which takes the total additional funding for policing this year to in excess of £1 billion.

The noble Lords, Lord Hain and Lord Bilimoria, the noble Baroness, Lady Thornhill, and the noble Earl, Lord Lytton, referred to business rates. We are providing up-front support worth over £1 billion for high streets through the new retail discount, reducing bills by one-third for up to 90% of retail property for two years, starting from 1 April 2019.

On housing, further progress has been made in implementing the Budget to achieve our ambition of 300,000 homes. I hope that the right reverend Prelate the Bishop of Chester will not called upon from his retirement home in Scotland to eat his cassock—that prospect will add extra zest to our ambition to meet the target—but £717 million from the £5.5 billion Housing Infrastructure Fund to unlock 37,000 homes is a good step in that direction; there will be £250 million for 13,000 homes at Old Oak Common in London, and there are other schemes in Cambridge.

The noble Lord, Lord Wakeham made a serious point about the tax gap. While we recognise that there is a long way to go, we have one of the lowest tax gaps on record. It has fallen from 7.3% in 2005-06 to 5.7% in 2016-17.

We heard a considerable number of contributions on the very important issue of health and social care, which featured significantly in the Autumn Budget as well as in the Spring Statement last year.

Over the last three years, we have given councils access to around £10 billion of dedicated additional funding for adult social care. This includes £240 million this year and next for adult social care so that people can leave hospital when they are ready, and £410 million next year for councils to use to improve social care for older people, people with disabilities and children. This was announced in the Autumn Budget of 2018. The offer of the noble Earl, Lord Listowel, for us to see the incredible work done by many involved in social care and health visitors is one that many will want to take up.

I was immensely grateful to my noble friend Lord Leigh, for summarising a lot of the very positive, good news around, as did my noble friends Lord Suri and Lord Northbrook. My noble friend Lord Leigh spoke particularly about the measurement of productivity, and I think he is on to a point here. We had a discussion about this after the last Autumn Budget, and that was one of the conversations that led to the commissioning of Professor Sir Charles Bean to undertake an independent review of UK economic statistics to find out, among many things, whether that point about how financial services are treated and whether their full value is considered is right. To help address challenges, the Treasury has today provided the ONS with £16 million of funding so that we can continue to have world-leading statistics that capture what is happening in the modern economy.

The noble Baroness, Lady Thornhill, talked about the funding of local government. I recognise the experience that she draws on when she does that. The Budget of 2018 and the 2019-20 local government finance settlement delivered a real-terms increase in core spending power for local authorities in 2019-20. We expect authorities to receive final funding allocations in the normal timetable. Councils in England can access more than £200 billion for local services from 2015 to 2020. The 2019 spending review will be launched in the summer and conclude in the autumn and will no doubt receive many representations.

I am sorry about not addressing the point made by the noble Viscount, Lord Chandos, about student loans. I remember answering an Urgent Question at the time of the last debate and I thank him for that. This will be taken up in the Augar review. In the Spring Statement, the Chancellor of the Exchequer announced that the post-18 education and funding review will conclude at the spending review, so that will be in the summer. This is a delay from the original timetable, in part due to the decision by the ONS to change how student loans are accounted for in public expenditure. That will be covered in the review.

The noble Lord, Lord Shipley, mentioned the importance of the northern powerhouse. That is crucially important: we have seen spending of more than £13 billion—the largest in history—in the northern powerhouse. We hail from the same area of Tyne and Wear and we have

all rejoiced at the increase in infrastructure there, including the Tyne and Wear metro upgrade, which will make a very big difference.

The noble Lord, Lord Bilimoria, asked whether we would have the necessary money in the event of no deal. The Chancellor has been clear that leaving without a deal would mean significant disruption in the short and medium term, and a smaller economy in the long term. However, he also laid out ways in which it is possible for the Government to prepare us, including holding a £26.6 billion headroom against our borrowing target.

I again thank noble Lords for their contributions. Several noble Lords referred to investment into the UK. I want to put some points on the record, which noble Lords might have touched on. We need to remember that *Forbes* magazine, which knows a thing or two about business, surveyed 153 economies to find out which was the best country in the world for business investment. It arrived at the UK in 2018—and again in 2019; it is the number one place for investment. That is backed up not just in a survey but with the significant increase in overseas investment between 2016 and 2017—the last numbers available were announced just last year.

Baroness Kramer: My Lords—

Lord Bates: I am on a roll. Can I go a little further with the good news before we get reminded that every silver lining has a cloud wrapped around it? There was a £149 billion, or 12.6%, increase in the stock of overseas investment in the UK. It is now the third-largest in the world and the largest in Europe. London is the top city for property investment, not way past when, but in 2018. It was £16.2 billion compared with £12 billion in Paris and £8.4 billion in Hong Kong. Exports are at near-record levels and have risen more than 50% since 2010. They rose by £17 billion last year.

We have many challenges in this country and face many headwinds, but one of the things we can all have confidence in is that the world has confidence in this country. We should have more confidence in ourselves. I commend the Statement to the House.

Baroness Kramer: I do not want to entirely ruin what the Minister is saying. I know that the noble Lord, Lord Leigh, knows exactly what I will say in this particular instance. The Minister is quite right that a lot of the investment in the UK is property development. It is overseas moguls buying very expensive properties in London and elsewhere. If that is removed from the numbers, I am afraid that the picture is exceedingly different.

Motion agreed.

House adjourned at 9.11 pm.

Grand Committee

Wednesday 20 March 2019

Arrangement of Business *Announcement*

3.45 pm

The Deputy Chairman of Committees (Lord Brougham and Vaux) (Con): My Lords, if there is a Division in the House, we will adjourn the Committee for 10 minutes.

Common Agricultural Policy and Agriculture and Horticulture Development Board (Amendment etc.) (EU Exit) Regulations 2019

Considered in Grand Committee

3.45 pm

Moved by Lord Gardiner of Kimble

That the Grand Committee do consider the Common Agricultural Policy and Agriculture and Horticulture Development Board (Amendment etc.) (EU Exit) Regulations 2019.

The Parliamentary Under-Secretary of State, Department for Environment, Food and Rural Affairs (Lord Gardiner of Kimble) (Con): My Lords, the matters in the five instruments are closely interrelated; I hope it will be helpful to your Lordships if I speak to all five together.

With a number of small exceptions, which I shall explain, these regulations make purely technical amendments, which are necessary to address European laws being brought on to the UK's statute books in a partially inoperable form, and enable the policies behind the common agricultural policy, the Agriculture and Horticulture Development Board, and state aid legislation to continue to function as they do today. These instruments are not required solely in a no-deal scenario; in the event of an agreement—which of course the Government sincerely wish for—they will ensure that the current legislation remains operable at the end of any implementation period.

The instruments on the common agricultural policy make largely technical and operability changes to ensure that the UK Government are able to meet their commitments to funding in the agriculture sector. The Government have pledged to continue to commit the same cash total in funds for farm support until the end of this Parliament, expected in 2022; this includes all funding provided for farm support under both Pillar 1 and Pillar 2 of the current CAP. This commitment applies to the whole of the UK.

The UK Government have guaranteed that the current level of agricultural funding under CAP Pillar 1 will be upheld until 2020, as part of the transition to new domestic arrangements. The UK Government have also guaranteed that any rural development projects for which funding has been agreed before the end of 2020 will be funded for their full lifetime.

As noble Lords are well aware, agriculture and fisheries are devolved policy areas and are of special importance for all parts of the United Kingdom. We have worked closely with the devolved Administrations to produce these instruments; they place great importance on them and have given their consent to these instruments.

I will now outline the CAP statutory instruments. They enable the regulations to continue to operate effectively, do not introduce new policy and preserve the current regime for supporting CAP beneficiaries. The amendments in these instruments include omitting redundant references to the “European Commission” and “member states” and amending references to “Union law” throughout, so that the retained EU regulations continue to operate effectively as part of national law.

One purpose of these modifications is to ensure continuity and clarity as to who is responsible for the implementation and administration of the CAP schemes. The obligations and discretions placed on member states will continue to be exercised after exit by relevant authorities in the UK. In this context, “relevant authority” means the Secretary of State, Scottish Ministers, Welsh Ministers and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland.

The Common Agricultural Policy and Agriculture and Horticulture Development Board (Amendment etc.) (EU Exit) Regulations 2019 make operability amendments to domestic regulations made under the European Communities Act implementing certain provisions of the EU common agricultural policy.

First, I draw your Lordships' attention to a minor correction which is needed to the Explanatory Memorandum for this instrument. In paragraph 4, “Extent and Territorial Application”, the amendments to the AHDB order 2008 are given as applying to the UK. In fact, while parts of the AHDB order 2008 apply to the UK, the amendments proposed in this instrument apply to Great Britain in relation to horticulture, and to England only in relation to the red meat levy. That reflects the territorial coverage that the levy body, the AHDB, has for those specific sectors. We shall withdraw and re-lay the EM in the coming days, with the territorial application of the AHDB order amendments corrected. Correcting this has no impact other than aligning the EM with the instrument we are debating today. I apologise for any inconvenience this causes to your Lordships, but when I heard of it, I wanted your Lordships to know immediately.

As well as operability changes to domestic regulations under the European Communities Act, this SI also amends one order concerning the Agriculture and Horticulture Development Board. This is to address two operability issues arising from the United Kingdom leaving. In one case, this has required us to make a small policy change. Currently, there is a minor levy exemption applying to livestock which is imported from “another member state” and slaughtered in England within two to three months of being imported. For continuity, we retain this exemption, and to ensure that we are then in line with WTO rules and are not favouring the EU, we also extend the exemption to cover any such livestock imported from the rest of the world. We expect this minor policy change to have little or no impact on the ground, given the very low levels of live imports from beyond the EU.

[LORD GARDINER OF KIMBLE]

The Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Arrangements) (EU Exit) Regulations 2019 make technical amendments to the supplementary regulations which set out detail on the financing, management and monitoring arrangements for the CAP schemes. This instrument ensures the operability of five different pieces of EU law. These ensure that the management and monitoring aspects of the retained EU legislation maintain the current standards after exit. This includes setting out further detail on how checks to beneficiaries should be carried out and how penalties should be applied to those found to be in breach of the legislation.

The instrument also attends to five other pieces of retained EU law where references to EU audit and accounting systems would clearly no longer be appropriate. These would be replaced by the domestic system, which currently operates in parallel to the EU system, to provide equivalent assurances to our Parliament. Four of these are implicitly tied to EU audit and accounting systems, which, as I say, will be replaced with the existing domestic equivalent. The final revoked piece of EU law relates to the EU policy monitoring system, which, again, will be replaced by our existing domestic policy evaluation process.

I turn to the Common Agricultural Policy (Financing, Management and Monitoring) (Miscellaneous Amendments) (EU Exit) Regulations 2019. This instrument amends the retained EU law which sets out the overarching framework for how CAP schemes function, governing the financing, managing and monitoring arrangements which underpin schemes. It removes the EU audit and accounting regime, which, as I already mentioned, operates alongside the existing equivalent domestic regime and would no longer be required for Exchequer-funded payments. Current levels of checks and scrutiny over CAP payments will remain under the domestic system until domestic policy reform can be delivered through a new domestic agricultural policy.

I turn to the Agriculture (Legislative Functions) (EU Exit) Regulations 2019. They amend five different EU regulations which give the European Commission power to change existing legislation relating to the financing, managing and monitoring of the CAP; direct payments; the rural development programmes; and fisheries programmes funded by the EMFF.

These five regulations work together to provide the necessary powers to ensure the smooth functioning of the CAP and EMFF-funded fisheries schemes in the light of economic, scientific and environmental changes. For example, the Commission is currently empowered to make legislation adding to a list of practices equivalent to crop diversification in the light of developments in the sector. These powers also provide powers to, for example, update the model we use to estimate the net revenue of an EMFF or rural development project, if a more accurate model becomes available.

As its title suggests, this instrument makes amendments to confer existing legislative powers on the appropriate authorities: either the Secretary of State or the relevant

Administration for each home nation. These amendments consist largely of replacing references to the “Commission” with “appropriate authority” or “Secretary of State”.

The instrument also contains operability changes relating to the EU financial discipline mechanism. The financial discipline mechanism ensures that the Pillar 1 budget, which comprises spending on direct payments and on schemes under the common market organisation, is not exceeded. It works by reducing the value of direct payments if forecast expenditure on Pillar 1 exceeds a predetermined budget.

This SI makes changes to make the financial discipline mechanism operable in England. As agriculture is devolved, each Administration has assessed what amendment is appropriate to remedy the inoperability. Devolved Administrations have chosen to omit the financial discipline mechanism, while England has chosen to use the powers contained in the withdrawal Act to make financial discipline operable on an England-only basis. For England, operability amendments are made to financial discipline provisions to ensure the mechanism will work properly in a domestic context and on an England-only basis. This does not constitute a new policy, as the mechanism currently applies in the EU.

I turn finally to the State Aid (Agriculture and Fisheries) (Amendment) (EU Exit) Regulations 2019. State aid rules govern the way subsidies can be given, and exist to stop companies gaining an unfair advantage over their competitors. This instrument amends specific retained EU state aid regulations relating to agriculture and fisheries. It does not make provisions for the broader domestic state aid framework. That is addressed in the State Aid (EU Exit) Regulations 2019, which were debated and approved by this House on Thursday 14 March.

Agriculture and fisheries schemes have long benefited from exemptions to the state aid rules. This instrument maintains these agriculture and fisheries exemptions, allowing government to continue to support these industries and provide stability as we leave the EU.

The instrument will have three main effects. First, it corrects references to state aid rules in some of the CAP regulations. This makes sure that the state aid exemptions, which flow from the agriculture and fisheries state aid exemption in the Treaty on the Functioning of the European Union, continue to apply to direct payments and rural development programme payments. This will allow these crucial payments to continue after exit.

Secondly, the instrument will continue to exempt certain categories of agricultural and fisheries aid which are deemed compatible with state aid rules. These are known as the “block exemptions”. For example, this will ensure that the Rural Payments Agency can continue to make payments for forest environment commitments covered by the agricultural block exemption regulation under the forestry elements of countryside stewardship. For fisheries, payments to the sector which support, for example, the sustainable development of fisheries, the protection and restoration of marine biodiversity, and innovation in aquaculture will continue to be able to be made under the block exemption regulation.

Finally, the instrument provides that funding under certain financial de minimis thresholds will continue not to constitute state aid. For example, the Calderdale

natural flood management grant scheme, a critical flood defence project, is covered by this exemption, and this instrument ensures that we will be able to continue to support schemes such as that one.

4 pm

This instrument makes no policy changes. It ensures that agriculture and fisheries schemes, such as direct payment schemes, that currently benefit from state aid exemptions will continue to benefit from them. I hope noble Lords will agree that transposing legislation and maintaining the exemption of certain aid from the state aid rules is necessary to support our vital agriculture and fisheries sectors.

These five instruments aim to ensure continuity with current EU legislation through operability changes. Government and the devolved Administrations have liaised with stakeholders regarding plans to make both CAP and state aid-retained EU law and existing domestic legislation operable at the point of EU exit. With regard to financial discipline, Defra is currently liaising with stakeholders through a targeted engagement exercise to discuss the proposed new guidance, which will set out how Pillar 1 spend should be apportioned to England.

These statutory instruments provide important and necessary continuity for stakeholders and beneficiaries. They will provide guarantees for the future by ensuring that farmers, fisheries and land managers continue to receive payments that support their vital work. I beg to move.

Baroness Byford (Con): My Lords, I thank the Minister for introducing these five statutory instruments, but I must admit that I was slightly thrown as I thought that we were going to take them separately. I have prepared for them to be taken separately, so I hope noble Lords will forgive me if I have rather a long list of things to raise. It would have been easier for me if we had taken them separately. However, we are where we are, so I beg everyone's forbearance.

I thank the Minister for introducing these instruments. They are a very necessary and welcome step in enabling a smooth transition. I declare my interest as a family farmer and as benefiting from the basic farm payment scheme. My farm was in the environmental stewardship scheme many years ago.

It might be simpler if I take the instruments one at a time. I gather from the first one that stewardship schemes will no longer be open to new applicants and that intervening schemes will overlap and be covered by payments in the normal way. However, paragraph 7.4 of the Explanatory Memorandum says that Pillar 2 projects submitted before the end of 2020, "will be funded for their full lifetime".

I welcome that too. Defra and the devolved Administrations can continue to sign new projects during 2019 and 2020, but I am not clear how that fits in with the earlier statement that environmental stewardship schemes will no longer be open to new applicants. I might have misread the SI, in which case I apologise. However, I welcome the basic provisions.

The AHDB has a duty to raise the levy, and that will continue to be done. However, I wonder whether the AHDB will review the way in which it operates

that levy, because there will perhaps be opportunities in the future to look at different and better ways of using levy income, which is a considerable amount of money coming in from businesses. As I said, this instrument will deliver a smooth transition and give farmers, land managers, rural businesses and communities certainty. I am very grateful to the Government, as that will help enormously. My specific queries, therefore, are on the existing environmental stewardship schemes, which I gather will no longer be open to new applications, and on paragraph 7.4, which refers to the possibility of signing up new projects during 2019 and 2020.

I also welcome the second SI on financing, management and monitoring. I agree with the Minister and other members of the Committee on the importance of the agriculture sector in our country today. As well as agriculture, I should mention horticulture, because the two go together. It is worth around £113 billion and employs some 3.5 million people in the food sector. With the growing population in this country, the challenges we face are more acute than they are for some of our colleagues in the European Union, where populations are in fact decreasing. There is a greater need to make sure we produce as much as we can in this country.

Paragraph 14 of the Secondary Legislation Scrutiny Committee's report states that the NFU, one of a group of organisations that came together to consider this and advise the Minister, called for greater clarity. I refer to paragraph 8 of that document, which talks about a framework that,

"enables current agricultural support measures to continue to function effectively in the UK after EU exit".

It goes on to say that payments will work,

"within a suitable financial framework".

I wondered what was meant by "suitable framework"; perhaps "effective" would have been better. Again, I would be glad of some clarification on that.

I welcome paragraph 10.2 of the Explanatory Memorandum, which says that Defra and the Rural Payments Agency's industry partnership group came together on 25 September and again on 26 November, as I referred to earlier. Those working groups were very worthwhile and, on the whole, people were very happy with what came out of them. What reassurances can the Minister give that the payments will be paid on time? As he is well aware, I just sent him two Written Questions on the way the payments are made to English farmers at the moment. While 80% is quite good, and we are looking to 90%, late payments have a huge effect on many farmers. I worry about what the mechanism will be for holding the responsible statutory bodies to account when we leave, to make sure those payments are made on time. I did not see anything in this instrument that would cover that. Maybe I am being overanxious, but it would be helpful to the Committee to have a response on that.

In the past, the EU has fined us for late payments, with infraction payments. If that body no longer regulates us, who will hold the bodies responsible for those payments to account? At the moment, no environmental body has been set up; that will come in the future. If we leave without an agreement, we will have a gap between the end of March and whenever something else gets established. Like many others, I hope that an

[BARONESS BYFORD]

agreement will be reached and therefore these questions will be unnecessary. However, what assurances can the Minister give that those payments will be made? If I am right, the responsibility for those payments has been moved from the Environment Agency to sit totally within the RPA, so who will hold the RPA to account? I am not clear on that.

Is there any definite date for the possible future liabilities? For example, some of the projects in which we have been engaged in this country are social and rural economic projects that run for a five or six-year programme. From this legislation, I am not sure whether we could be held to account by Brussels in later years, although we will have left the EU—if the Minister follows my logic. In other words, can the EU come back to us on some of the existing projects which have been agreed, if it thinks they are falling short of what is expected? I cannot explain myself any better, because it is slightly complicated. I apologise.

On the agriculture environment schemes, who will hold us to account on making sure that payments are made correctly and on time? I am not asking about situations where there is a death, or transfer of ownership, as I know dealing with those takes time. However, many environment schemes are delayed, so I would like clarification on that.

I turn now to the third statutory instrument: miscellaneous amendments. The Explanatory Memorandum explains that this is a reasonable course of action—I am sure it is—to ensure that CAP programmes can operate properly, ensuring smooth transition. I am quite happy with that. But I am puzzled by the statement that standards of cases of discrimination, harassment and victimisation are included in this SI. I wondered why that was and what it means. I would be grateful for some clarification, because it seems extraordinary.

Reading through this SI, I have no problem with the change of wording from “member states” to “relevant authority”, because we are leaving the EU. However, on pages 6, 12 and 13, I have two queries. Regulation 4(10)(a)(i), talks about,

“the scheme for distribution to the most deprived in the UK”.

Is there a set-down definition of “the most deprived”? Is that something we would transpose from a European definition, or will we interpret it in our own way when we leave?

Regulation 5(28)(b), which amends Article 31, states that we are leaving an existing EU “small farmers scheme”. How many farmers in our country, if any, fell within that scheme? Are they currently in such a scheme and, if so, do the Government anticipate continuing such a scheme, or introducing one if they are not already included?

The fourth SI looks at the technical and legislative functions. Sub-Committee A referred that to us for our thoughts. If I picked it up right, provisions which have been carried out by the European Union will be transferred by regulation to public authorities to continue smoothly; I am more than happy with that. However, paragraph 7.2 of the Explanatory Memorandum talks about preventing having to make primary legislation every time a technical change is required. Can we have a little clarification? I am sure it is a good thing, but

sometimes we need primary legislation rather than just secondary legislation, and I am not sure from the EM exactly what that is.

Paragraph 10.4 of the same EM, on the consultation outcomes, states Defra had its consultation between 4 July and 12 September on the fisheries White Paper. I am pleased about that; it was very helpful. While it states that the stakeholders were broadly supportive, did they have any specific major concerns?

Finally, I turn to the fifth SI, on state aid. Paragraph 2.6 of the Explanatory Memorandum states that if the UK, “has exceeded its annual State aid budget, certain categories are then only exempted from State aid rules for a 6 month period”.

It goes on to say by how long this SI extends that—and here in my notes I put dot, dot, dot, because I am not sure by how long it will be extended. Will it be another six months or will it be for an indefinite period? Again, I seek clarification.

On emergency aid, I am grateful that the Minister mentioned flooding, something which sprang to my mind. The other issue is drought; we face great drought considerations in this country. The Minister knows, because I have raised it with him before, that the Environment Agency is a little slow—to be kind—in agreeing to some of the extractions that are needed, particularly in very dry areas such as East Anglia, Norfolk and into Lincolnshire, where they will not be able to continue producing crops in the same way unless they can gain water. I am well aware of the pressure that is put on water, and looking to the future, there will be even more pressure. There are ways in which we can save water—by plugging leaks, to say the least—but my thoughts turn to emergency aid for flooding and droughts, and there may be other things.

Finally, I welcome the direct rural payments, which I think are fairly clear. No doubt, other Members in Committee will want to raise those issues anyway. I am sorry my speech is so bitty—I thought we would deal with each SI individually. I apologise to other Members that it has been a bit round the houses.

4.15 pm

Lord Beith (LD): My Lords, far from going round the houses, the noble Baroness, Lady Byford, has done us a service by going through the instruments so thoroughly and raising some really important questions—the Minister will have quite a lot to answer. I will say something about these instruments, but I do not want to forget to thank the Minister and his officials for the extremely helpful briefing they gave to opposition parties.

There are five instruments, and their titles are so confusingly similar that the only way to deal with them is the way in which the noble Baroness, Lady Byford, did—as first, second, third, fourth and fifth, which is the order in which they appear on the Order Paper. They deal with very important matters related to farming and rural communities, particularly funding issues. They are interrelated, which is why I think it was sensible to take them together.

The instruments are also interrelated with the Agriculture Bill—the elephant that is not in the room, because we do not have it yet—which interacts with these instruments in a number of respects. The Agriculture Bill gives huge and unacceptably wide order-making powers to Ministers. Some of those duplicate some of

the powers exercised in these statutory instruments, so it is quite difficult to view them separately. If the Agriculture Bill ever becomes an Act, it will come into force probably in the middle of a period in which these instruments are in force, or while we are still waiting for the instruments to come into force at the end of an implementation period.

We accept that these instruments are a necessary means of ensuring that we have continuity in what would otherwise be an even more difficult situation for the farming community. They are no-deal instruments primarily; the Minister explained that they will still be necessary even if there is an agreement, but that would not be until the end of the implementation period. They would therefore lie dormant during an implementation period, and that would have to be achieved in the withdrawal agreement Bill, which would be necessary in those circumstances. Of course, we do not know when exit day will be—whether it will be next Friday, 30 June, or some other date—or indeed if it will be. By the time we get to it, these instruments will need to be amended because things will have changed, either during the delay, or during the implementation period, or both. It is hard to imagine that the form in which these instruments are now will serve all purposes in perhaps 20 months' time, as would be the case after an implementation period.

What on earth are farmers supposed to make of all this? It is bad enough when your work is at the mercy of the weather and fluctuating market prices; but, frankly, it has been easier to forecast the weather—and even market prices—than the Government's management of the Brexit exercise. That adds another huge dimension of uncertainty and these five instruments would at least provide continuity in the event of a no-deal Brexit.

There are a few issues I want to pick up. The Minister mentioned an intriguing point on the first instrument: the red meat levy paid on imported animals slaughtered within two or three months of import would be extended from EU states to the rest of the world. That sounds like a policy change, and a policy change ought to be dealt with differently, or at least drawn to our attention. Its significance diminishes, however, when you discover that—in the words of the Explanatory Memorandum—the amount of the levy currently collected is “probably nil”. That is a rather interesting phrase to use; perhaps the Minister can explain why it is only “probably nil”, as though nobody knows whether it has been collected at all.

The second and fourth instruments puzzled me—and officials when I asked them—for a different reason. Unlike all the others, they do not necessarily come into force on exit day, whereas most EU exit regulations do come into force on exit day—whenever that turns out to be. If the Minister chooses not to lay either the second or the fourth instrument until some later date, they will not come into force until the day after that. Why the difference, and do the Government envisage the orders not being brought into force at the same time as the others?

The third and fourth instruments abandon the mechanism known as the EU crisis reserve. That relies on deductions from the direct payment pot to create a

central reserve for times of crisis in EU agriculture. It is another mechanism that has never been used; farmers have received reimbursement for the deductions in the funding scheme. It clearly makes little sense in a UK-only context—I suppose one could have a scheme for the four jurisdictions within the UK, but it makes a great deal less sense. We have to refer to a different statutory instrument, the next one in the group, to see the accountability mechanism for dealing with it.

It is also in the third instrument that we find that euros will remain the currency on which the whole system of agricultural support is calculated and accounted for. However, I understand that provision may be included in the Agriculture Bill for a switch to sterling. We need to clarify that; I was reassured when I received briefing from officials that neither farmers nor the taxpayer would in the long run be placed in a very different position by currency fluctuations because support is decided at a fixed point in the year. However, it would be helpful to have clarified the Government's intention in relation to a later switch to sterling.

The fifth order is essential to continue the exemption of various agricultural and fisheries projects and funding streams from EU state aid rules. To the extent that state aid rules continue to have effect post exit, such an exemption is necessary. It of course begs the question of how many state aid rules we will have post exit. The Minister could perhaps clarify; there will be rules that extend because they are in the withdrawal agreement—there may be things which we decide to continue and do not remove because we want to restrain undesirable interference with the market by various forms of state aid. It left me slightly puzzled as to the extent of its impact.

The decision about the future of state aid rules is one of the hundreds of policy decisions which we will have to come to later if exit goes ahead. The battle will then be between those who thought that Brexit meant a bonfire of rules and those who see that many issues in the rules have been developed while we have been in Europe and are valuable to us and we do not want to lose them. That again creates more uncertainty for farmers, because they have been told by the ardent Brexiteers, “Oh, we'll get rid of all those EU rules; you don't have to worry about them”, whereas in practice, as the Government have indicated on many issues already, a lot of the things we observe in Europe are things that we believe to be right, and that we advocate and intend to do anyway.

We have had a foretaste of the problems and uncertainties with the publication of the tariff regime only two weeks before it was planned to come into force. While the sheep sector, which is so valuable in areas such as that which I come from, has retained its tariff protection but still faces the problem of potentially heavy tariffs on its exports, eggs, cereals, fruit and vegetables will have no tariff protection. *Farmers Weekly* called it policy devised on the hoof by a Government struggling to cling on to power.

My last point was raised the noble Baroness, Lady Byford, but it looks forward. Can the government machinery cope with the complex transfer of functions provided by these orders? The noble Baroness raised the question in the context of the Rural Payments

[LORD BEITH]

Agency and delays to payments. The RPA and Natural England have 14,000 historic environmental stewardship payments outstanding. The RPA says that it is concentrating not on the 2018 so-called advance payments—we can hardly call them advance in 2019—but on the 2017 final payments. Its target is still only to complete 95% of them by July. Tenant farmers with rents to pay need those payments to be made in a timely fashion, and they have a big impact in rural communities on suppliers of farm machinery and materials for agriculture. The system cannot cope at present, so a series of quite complex changes gives rise to worry as to how the system will cope.

The complexity of this is illustrated by the Minister's admission that there is a small error in one of the sets of regulations before us today. That can obviously be corrected, but one has to bear in mind that this extremely complex process is taking place in an industry that faces a great deal of uncertainty and many other complexities. It is pretty worrying.

The Earl of Erroll (CB): My Lords, I want to say just a couple of things. I am married to a farmer and in the evenings I have to try to sort out some of the paperwork, mapping, basic payment systems—

Baroness Vere of Norbiton (Con): I do not believe that the noble Earl was here at the start of the debate and therefore it is not really possible for him to take part.

The Earl of Erroll: I am sorry. I was only going to make a point about the RPA workload.

Baroness Vere of Norbiton: Perhaps the noble Earl might speak to the Minister afterwards.

Lord Grantchester (Lab): I am grateful to the Minister for his introduction to the bundle of regulations before the Committee today. I declare my interests as listed in the register and that I receive EU funds under the CAP schemes that we are discussing here.

Baroness Bakewell of Hardington Mandeville (LD): I am sorry to intervene, but the noble Earl was sitting over there at the beginning of the debate.

The Earl of Erroll: Not quite; I missed the first couple of minutes.

Lord Grantchester: I may well bring up the points that the noble Earl intended to make, so I will hope to cover some of his anxieties. To continue, I am grateful to the Minister and his team for the very constructive way in which his department has engaged with Peers on these regulations.

By and large, the Explanatory Memorandums have commonality across the regulations, as the bundle today transfers the functions necessary to transfer the complexities of the CAP schemes, including the basic payment scheme, to the UK on the UK's exit from the EU. Last week, the Committee examined and approved

the statutory instruments pertinent to rural development that are also managed under the subject of this week's regulations.

I certainly approve of the instruments, but it would be useful to have the Minister's clarification and confirmation of several aspects of their provisions and some amendments give rise to the need for further explanation. I am very clear about the CAP schemes. I apologise if some of my queries go beyond the technicalities of the regulations, but to a large extent they expand on the queries already raised by other noble Lords.

The regulations have been introduced to maintain continuity and consistency and bring about a smooth transition to the UK's new regime proposed in the forthcoming Agriculture Bill. Can the Minister confirm that the instruments will become operable in the event of no deal, whenever that might be, and, under the scenario that the UK leaves with any deal at the end of the transition period up to the end of the present Parliament, which is still expected to be in 2022, when the Agriculture Bill may be implemented?

In so far as there might be an extension of the date under Article 50, will this result in a commensurate end date for the transition period under the outcome with a deal? Would that then necessarily shorten the time when these regulations would operate before the new Agriculture Bill provisions became operable at the end of the Parliament? I assume that, because of these complexities, no end date can be written into these regulations. As further payments for the EU will continue under the extension of Article 50, will this be relevant to the £39 billion due from the UK to the EU on exit?

Turning to what the regulations mean for present practice, can the Minister confirm certain features? First, and very importantly—this might be the point that the noble Earl, Lord Erroll, wished to bring up—is the Rural Payments Agency capable of administering the added totality of these schemes, bearing in mind two aspects? First, it manages the schemes already from a UK perspective so, *prima facie*, it should. However, secondly, whenever there have been any fresh iterations of CAP regimes, the RPA has traditionally struggled to cope, with resulting delays and confusions. It is struggling now to incorporate the environmental schemes transferred to it last year. What can the Minister say to reduce anxiety over the management of these changes?

4.30 pm

Are there any possible contradictions regarding the various closure dates and schemes and new applications? In paragraph 2.2 of the EM on the agriculture and horticulture development board regulations, contradictions could arise which could transfer through to Pillar 2 operations, in that environmental and countryside stewardship schemes may continue until their relevant scheme end date, which may differ from the end date of 2020 under the rural development schemes. Is it correct that the features of new applications could continue under one scheme, but not another? Is this pertinent during any transition period when the present EU regime would still continue?

Will the Minister confirm that modulation will continue at the same rate under these provisions until measures under the Agriculture Bill take effect? Does this also

apply to cross-compliance, the three-crop rule and the various other features of the present CAP? Could any features change during this period? Under the CMO regulations, will the maintenance of intervention and stock management continue? The Minister will understand that purchases and releases of stock are very relevant to market prices and maintain stability within various thresholds.

There are also continuity queries under the present iteration of the CAP scheme in relation to the devolved Administrations. Scotland was originally concerned that its farmers were disadvantaged vis-à-vis English farmers. Could any contradictions arise under paragraph 7.8 of the Explanatory Memorandum for the supplementary provisions regulations, or under paragraph 6.3 of the Explanatory Memorandum for the legislative function regulations? There are some Pillar 1 discrepancies in their implementation. It is noted that the Secretary of State can exercise functions on behalf of Scotland and Northern Ireland only with their consent, and on behalf of Wales with certain restrictions and with its consent. Presumably, the complicated arrangements which presently exist will continue.

Turning now to the policy changes, the noble Lord, Lord Beith, mentioned the changes to the RML. I thank the Minister for his introduction regarding the changes made and the application of this levy. Bearing this in mind, to the extent that the AHDB loses funds, will the Treasury make up that shortfall?

Turning now to some of the other amendments that change present policies, I mention disallowance. The audit function explanations in Annexe 2 to the Explanatory Memorandum on the financing, management and monitoring regulations talk about replacing the European Commission and make clear that the UK's regulatory regime will become operable. Ultimately, how does this affect the UK Treasury? Will applicants be anxious that they might become subject to unknown clawbacks at some future date, or does it merely suggest that there might be minor amendments to plug any discrepancies that could arise?

It is planned to remove the crisis reserve. As this is part of the CMO regime, will the UK now not continue to finance any central reserves in case of emergencies, and if not, why not? Annexe 2 puts the total funds that are put into reserve each year at £38 million, but states that they have never been used, so far. Are the Government forecasting that there will be no climate change emergency or any other contingency that would make a fund prudent?

I turn now to the state aid provisions, and note, as did the Minister, that they were extensively discussed in a Department for Business, Energy and Industrial Strategy debate on 14 March. They largely transfer the functions of the European Commission to the CMA. I begin by asking the Minister to explain the possible discontinuity in understanding how state aid provisions will operate. In the existing regime, they exist between member states to alleviate possible anti-competitive behaviour between member states. How will this operate in relation to its repatriation to the UK? Is it to monitor fair competition between the UK regions of England, Scotland, Wales and Northern Ireland, or will it operate in some other way? Will the devolved

Administrations have their own rules? If not, what anti-competitive behaviour is being undertaken, and against whom? Do the regulations take effect on exit day or at the end of the transition period? Previously, an annual state aid budget appropriate to the UK was set. Will this continue at the present level as the regime is repatriated?

Is it intended to set a budget figure between the devolved Administrations? Bearing in mind that the UK's present spend is at 0.36% of GDP, lower than the EU average of 0.69%, is there room for UK schemes to expand—if that is the right way to understand the exemptions from state aid? This means that to be up to parity with France, for example, the UK could spend £6 billion more than it does at present. How would this application of state aid apply in Ireland? Would it revert back into WTO territory between Northern Ireland and Eire? There are also significant penalties for breach of the regulations. How will this operate in a UK context under the powers of the CMA? What role will Parliament play in any of these provisions? I mention the state aid complexities at great length because they are particularly pertinent to the agricultural sector, incorporating important features, such as product designations by geographical indicators.

Finally, I echo the remarks of the noble Baroness, Lady Byford. The regulations are very pertinent to agriculture, the wider rural economy and the food supply chain. The Minister will appreciate that there is great anxiety regarding the present lack of clarity on the outcomes and negotiations with the EU, and the level of tariffs that will apply under the various scenarios.

I appreciate that the Minister's department was not the lead department regarding the announcement last week of temporary tariffs that will come into force in the event of a no deal. However—perhaps this is for another day—further dialogue with the Minister and his department would be very welcome as it is his department that will have to manage the dialogue with the agricultural industry, and extensive consultation would be appreciated across the industry.

Lord Gardiner of Kimble: My Lords, I should have at the very outset declared my farming interests as well, as set out in the register. I should probably do that at every Defra occasion because of the interconnection with agriculture, the environment, and so forth, but I think all noble Lords know of my agricultural background and all that goes with it. I am most grateful to all noble Lords; it is so nice to see the noble Lord, Lord Beith, who has a Dispatch Box before him, and my noble friend Lady Byford, who is forensic. I will endeavour to answer as many questions as I can today, but for those that are intricate, perhaps a letter would be a more fulfilling experience. Some of them go slightly off the core of the discussions on these instruments, but they quite clearly go into wider agricultural matters, which are important.

First, your Lordships have agreed that these regulations are so important to ensure payments are made to farmers, land managers and fishers, to comply with state aid rules, and to have that operability. There are quite a number of questions, so it is important that I answer as many of them as I can. My noble friend Lady Byford asked about stewardship schemes and the issue of new

[LORD GARDINER OF KIMBLE]

applicants, and, in reference to paragraph 7.4 of the EM of the first statutory instrument, how our commitment fits in with this—the noble Lord, Lord Grantchester, also referred to these matters. The environmental stewardship scheme in this SI is closed to new applicants; current agreement holders will continue to receive payments under the Treasury guarantee following EU exit, which I mentioned in my opening remarks. The Countryside Stewardship Scheme has replaced environmental stewardship in England; this is open to applicants and is covered again by the Treasury guarantee. The noble Lord, Lord Carrington, raised this issue at Questions yesterday; indeed, I had an opportunity of raising this with the Minister of State today. We accept entirely that there needs to be an improvement in the level of payments experienced with both the environmental stewardship and Countryside Stewardship schemes. That is why we have transferred it from Natural England—rather than the EA, which was managing these matters—to the RPA because, candidly, we thought it is the organisation to deal with payments and the BPS payments following the first year of the change of CAP. We are at 90%-plus of payments on BPS and, as my noble friend said, the last few per cent are often because of probate cases, cross-border issues or inspections.

I will take back from today the very helpful remarks made at the beginning, which relate to Countryside Stewardship—I do not have to declare an interest in this particular point. I am well aware that farmers have paid money to engage in the Countryside Stewardship or environmental stewardship schemes and that they are now waiting for money. For some, that wait goes back to 2016, so I am not content about that matter. I am always prone to understatement, so I hope your Lordships will understand what I mean when I say that “I am not content” with the current arrangements.

The Earl of Erroll: I think I am allowed to intervene quickly. Maybe interest payments could be looked at, because real costs to farmers arise from non-payment.

Lord Gardiner of Kimble: I have heard the noble Earl and respect his tenacity in putting that point. I had better not say anything more on the record, but that is clearly one area where the question is how we get a better situation. That is why I assure your Lordships that the RPA is geared up to deal with this, and the Secretary of State and all the ministerial team are looking for progress.

4.45 pm

My noble friend Lady Byford asked a question about statutory instrument 2—I hope noble Lords will agree that it is much easier if we look at the green sheet than if I repeat the full title of each SI. She mentioned the NFU call for greater clarity and the question of what is a suitable financial framework. By this we refer to the existing domestic financing framework.

On statutory instrument 4, my noble friend Lady Byford asked whether there were any specific concerns on fisheries. My understanding is that there were no outstanding concerns from the fisheries sector, but again, I will look into that further. On statutory

instrument 5, my noble friend asked what emergency aid covers. Article 30 of the agriculture block exemption regulation sets out specific exemptions for urgent payments made after natural disasters. Likewise, Article 44 provides similar exemptions for fisheries in the fishery block exemption regulation.

My noble friend Lady Byford mentioned drought; emergency payments could be exempted under Article 25 of the agriculture block exemption regulation. She also mentioned exemptions; she said that some exemptions are for six months, and asked how long we seek to extend them for. There will be no explicit limit to this extension, as indeed there is no limit in the EU regulations. With all these instruments we are bringing everything back as it is at the current point. What we have now, therefore, is what we will have on our statute book with the operability amendments that are contained in the statutory instruments.

My noble friend Lady Byford also asked about standards of cases. We are retaining the current level of checks that the EU requires through the CAP legislation. Where there is an ability in the EU legislation to reduce inspection rates upon meeting certain audit criteria, we are retaining the necessary criteria but allowing it to be met through a procured domestic audit; clearly, we will now have a responsibility for these matters.

That leads me to the noble Lord, Lord Grantchester, and my noble friend Lady Byford, who raised the essential point of how we ensure that what will be public money is held to account properly. UK Administrations will be subject to an existing domestic framework for the financing, accounting and auditing of payments. This system provides for equivalent levels of scrutiny and parliamentary oversight as in the EU system. It is set out in the following domestic legislation: in England, the Government Resources and Accounts Act 2000; in Wales, the Government of Wales Act 2006; in Scotland, the Public Finance and Accountability (Scotland) Act 2000; and in Northern Ireland, the Government Resources and Accounts Act (Northern Ireland) 2001. Within this framework, public bodies in England, Wales, Scotland and Northern Ireland prepare financial accounts in accordance with the government financial reporting manual, issued by the Treasury, which applies international financial reporting standards as adapted for the public sector. Domestic audits are also subject to the National Audit Act 1983 as amended by the Budget Responsibility and National Audit Act 2011. In addition, domestic public bodies involved in the administration of agricultural support payments are scrutinised through internal audits. The Government Internal Audit Agency, which is independent of Defra, audits the English paying agency, and equivalent practices apply to the devolved Administrations.

My noble friend Lady Byford also asked about the AHDB review. Late last year, Defra and the devolved Administrations in Scotland and Wales, in consultation with DAERA in Northern Ireland, ran a request for views on the future of the AHDB and sought views on the levy, its calculation and uses. A summary of responses will be published this year.

I think that I was asked to give a reassurance about payments being made on time. I have made it very clear that the RPA is now responsible for making payments to agreement holders. The Government have been

clear that the current delivery of agri-environment schemes is not good enough, as I have said. On the issue of harassment, raised by my noble friend Lady Byford—

Baroness Byford: Reading through the instrument, I found that odd. I could not think of the context that it was referring to.

Lord Gardiner of Kimble: I can understand that. In signing the EM, Ministers have to declare that we have had due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.

I turn to the point raised by the noble Lords, Lord Beith and Lord Grantchester, about the red meat levy exemption. In continuing the existing exemption for imports from the EU, we were advised that we need to be in line with WTO rules, as I advised. I also advise that we expect this change to be minimal or nil. We believe that very few animals are imported into the UK live for slaughter. On average over the last five years, fewer than 500 cattle, sheep or bovines have been imported each year from beyond the EU into the UK. Their average values have been relatively high and our understanding is that they are imported mainly for breeding purposes. We believe that few, if any, are slaughtered in England soon after being imported—hence our belief that the impact of this change would be minimal.

The noble Lord, Lord Beith, raised a question relating to three of the instruments and concerning the legal wording coming into force on a date later than exit day. He asked why that is the case. The legislation is worded as it is because it was not clear whether the instruments would be debated, approved and made before exit day. The wording providing for the instruments to come into force on the latter of exit day or the day after making was a prudent contingency to account for this eventuality and to ensure that we did not purport to bring into force an instrument before it was made. I might need to think about that myself, but I wanted to put the position on the record. However, it is an interesting construct.

Lord Beith: It is indeed—that had not occurred to me. Do we conclude from this that the Government have no intention of doing anything other than bringing all five instruments into force on exit day?

Lord Gardiner of Kimble: Yes; I always have a safety valve. Picking up my noble friend's point, it is why we thought that these SIs hung together as a package. From all the details that noble Lords have raised, I am relieved that we put them together because they are intricately connected.

The noble Lords, Lord Grantchester and Lord Beith, raised the question of funding a crisis without a crisis reserve. The 2018 crisis reserve payments are covered by Her Majesty's Government's funding guarantee, so farmers will receive reimbursement for the 2018 crisis reserve payments. After exit, clearly UK participation in the EU crisis reserve will become unworkable. Making the EU's concept of the crisis reserve operable in the UK would mean taking the UK's contributory share of the existing reserve—about £39 million—as the basis for a UK-only reserve. This would be likely to be

of limited value in response to a crisis, especially when divided between England, Wales, Scotland and Northern Ireland. Removing the crisis reserve could also mean that more money could be paid out to farmers at the start of a payment window.

We are retaining CAP schemes governing the Common Market's organisation in other retained EU legislation. This legislation will allow the UK to respond to a crisis in the agricultural markets in the same way that the EU currently can. If there is a crisis in the agricultural sector, the Government will consider how to respond, including whether to provide further funding in the usual way.

Lord Beith: This is not a theoretical situation. I do not wish to turn doom-laden, but if the events we are discussing led to a sudden fall and crisis in the sheep sector, then market intervention might be an option that the Government had to consider. I recognise, as the Minister indicated, that we have other ways to do that.

Lord Gardiner of Kimble: Yes, and I think it has been clear from the department that, like any responsible Government or department, we would act if issues arose. The noble Lord mentioned the sheep sector; in the temporary tariff regime we brought forward, we recognised the sensitivity and potential vulnerability of that sector. He is absolutely right: we need to be alive to, and ready to act on, issues of weather or markets. That point is well made.

The noble Lord raised the issue of the euro. Defra and the DAs have agreed to retain references to the euro in retained EU legislation at the point of exit. This is because, at the point of exit, the CAP will be part-way through making payments under current schemes. To minimise disruption and avoid a difference in sums paid to farmers before and after exit, we will retain the euro until an appropriate time when we can make the change to sterling with minimal disruption. We intend to bring forward regulations to amend euro references to sterling later. These regulations will of course be subject to normal parliamentary scrutiny. In addition, we will work with the devolved Administrations on any changes.

The noble Lord, Lord Beith, asked about retention. On implications for farmers, I reiterate that the Government have guaranteed that the current level of agricultural funding under Pillar 1 will be upheld until 2020 as part of the transition to new domestic arrangements, and that all CAP Pillar 2 agreements signed before 31 December 2020 will be fully funded for their lifetimes. The exchange rate for BPS 2018 is already set for the scheme year, meaning that farmers paid either side of exit day will be subject to an identical exchange rate.

The noble Lord, Lord Beith, asked how many state aid rules there will be after exit. The state aid regime will be rolled over by this statutory instrument, as will the whole architecture through the BEIS statutory instrument. We are not making any changes to the current EU regime beyond those required to make these matters operable.

The noble Lord, Lord Grantchester, asked whether the SIs will be necessary if the Agriculture Bill gains Royal Assent before the end of the current implementation period. If the current withdrawal agreement is agreed,

[LORD GARDINER OF KIMBLE]

these SIs will still be needed to ensure that the retained EU CAP legislation is operable in a UK context at the end of the implementation period. This will be the case even once the Agriculture Bill has gained Royal Assent. This is because the horizontal framework regulations, as amended by the SIs, will be required while we continue to operate legacy CAP schemes under retained EU law. Likewise, some CMO regulations will remain after the Agriculture Bill comes into force.

The noble Lord asked about the discontinuity in state aid: will DAs have their own rules and do they take effect at exit day or at the end of the implementation period? This is a reserved policy area, but, as with all the SIs I have had to deal with, there has been a close working relationship with the devolved Administrations. BEIS is working on a memorandum of understanding with the DAs, and my noble friend Lord Henley is working on this. If there is any further information I can bring forward from that, I will let your Lordships have a copy.

In a no-deal scenario—

Lord Whitty (Lab): I intervene because I have been dealing with state aid provisions more generally. The European system regards state aid for agriculture as part of a block exemption. In other words, it does not regard it as state aid.

5 pm

Baroness Vere of Norbiton: My Lords, I am afraid the noble Lord was not in the Committee at the start of debate.

Lord Whitty: I was.

Baroness Vere of Norbiton: I have written here: “Whitty (late)”.

Lord Gardiner of Kimble: Would it help if the noble Lord and I had a conversation after this debate on the statutory instrument? I am interested in hearing his point.

With your Lordships’ permission, I will conclude my point. In a no-deal scenario, the SI will take effect on exit day; in the case of a withdrawal agreement, it will come into force after the implementation period.

On the noble Lord’s question about Ireland, these regulations will ensure that the same state aid regime applies in the UK and Ireland, because obviously it is bringing back the same arrangements.

My noble friend Lady Byford asked how many farmers fell within the schemes. My memory is that for direct payments, it is about 85,000 farmers, but of course with countryside stewardship and environmental stewardships it is a much smaller sum.

Baroness Byford: My Lords, I know I got a bit confused when we went over the various instruments. My question was actually in reference to small farmers, as my noble friend will be able to see when he has a chance to look at *Hansard*—there is no definition. I agree with him about the total numbers, but my query was about the number of small farmers and whether they are in a small farmers’ scheme.

Lord Gardiner of Kimble: I think that may be a matter of detail. I will write with a résumé of points I may not have covered, and areas where I think a little more detail would help. I am most grateful to my noble friend.

The noble Lord, Lord Grantchester, asked about the Treasury and the levy. The exemption is being extended to the animals slaughtered that come from beyond the EU. That covers very few animals, and the levy at stake is estimated to be less than £1000, while the levy income is £26 million a year. I therefore might put that in the *de minimis* bracket.

The noble Lord asked how the CMA and Parliament will enforce state aid. The CMA will be an independent regulator with enforcement powers, including requiring aid granters to claw back payments. Any changes to the state aid regime will be made in legislation.

I will pick up the noble Lord’s point about tariffs—because I too read *Farmers Weekly* and the *Farmers Guardian*. We will continue to maintain dialogue with the sector on this important issue. As I said in Questions yesterday, clearly one of the five principles on which we base this is whether it is in the interests of the consumer and the producer. It is why we came forward with what is, as I said yesterday, a temporary tariffs package, and one with which Phil Stocker, the chief executive of the National Sheep Association, was “extremely pleased”. I know one cannot please all sectors, but I think there was a very conscious recognition that the sheep sector was an area where we needed to have that extra support available.

I am conscious that noble Lords have asked me a number of other questions. I will of course write if I have not covered any points. I have already noted a number of questions that could do with a bit more detail, and I may be able to furnish the noble Lord, Lord Grantchester, with answers to some of his further questions.

These instruments are needed for our farming and fishing sectors, and I commend them to the Committee.

Motion agreed.

Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019

Considered in Grand Committee

5.05 pm

Moved by Lord Gardiner of Kimble

That the Grand Committee do consider the Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019.

Relevant document: 18th Report from the Secondary Legislation Scrutiny Committee (Sub-Committee A)

Motion agreed.

Common Agricultural Policy (Financing, Management and Monitoring) (Miscellaneous Amendments) (EU Exit) Regulations 2019

Considered in Grand Committee

5.05 pm

Moved by Lord Gardiner of Kimble

That the Grand Committee do consider the Common Agricultural Policy (Financing, Management and Monitoring) (Miscellaneous Amendments) (EU Exit) Regulations 2019.

Relevant document: 18th Report from the Secondary Legislation Scrutiny Committee (Sub-Committee A)

Motion agreed.

Agriculture (Legislative Functions) (EU Exit) Regulations 2019

Considered in Grand Committee

5.05 pm

Moved by Lord Gardiner of Kimble

That the Grand Committee do consider the Agriculture (Legislative Functions) (EU Exit) Regulations 2019.

Relevant document: 18th Report from the Secondary Legislation Scrutiny Committee (Sub-Committee A)

Motion agreed.

State Aid (Agriculture and Fisheries) (Amendment) (EU Exit) Regulations 2019

Considered in Grand Committee

5.06 pm

Moved by Lord Gardiner of Kimble

That the Grand Committee do consider the State Aid (Agriculture and Fisheries) (Amendment) (EU Exit) Regulations 2019.

Motion agreed.

Food and Drink, Veterinary Medicines and Residues (Amendment etc.) (EU Exit) Regulations 2019

Considered in Grand Committee

5.07 pm

Moved by Baroness Vere of Norbiton

That the Grand Committee do consider the Food and Drink, Veterinary Medicines and Residues (Amendment etc.) (EU Exit) Regulations 2019.

Relevant document: 19th Report from the Secondary Legislation Scrutiny Committee (Sub-Committee B)

Baroness Vere of Norbiton (Con): My Lords, most of this instrument corrects retained EU law on geographical indication—or GI—schemes. The remainder makes a small number of amendments relating to wine and spirit provisions and on veterinary medicines.

I turn first to the provisions on GIs. GI schemes provide legal protection from imitation for both local and traditional food and drink specialities. The purpose of the instrument is to enable the Government to administer and enforce GI schemes in the UK after exit. This will ensure that our GIs remain protected against imitation in the UK. Together with other legislation on GIs, it will ensure that the UK continues to comply with World Trade Organization obligations after exit, specifically the TRIPS agreement on intellectual property. Currently, we comply with the TRIPS agreement through our membership of the EU's GI scheme. We will remain compliant with these obligations through this new domestic legislation, which makes provision for the protection of GI products within the UK and empowers the relevant agencies to enforce the rights granted to GI holders.

The instrument also provides a UK framework to administer and enforce GI schemes for agricultural products and foodstuffs, aromatised wines and spirit drink products throughout the UK. It will enable applicants from the UK and third countries to apply for UK GI protection, and it will allow the number of UK-recognised GIs to continue to grow following EU exit.

The UK Government are working with their global trading partners to transition EU free trade agreements and other sectoral agreements, and this includes commitments on the recognition and protection of UK GIs. In addition, the instrument will amend retained EU law on methods of analysis used to ensure that spirit drinks comply with the relevant rules. It also amends retained EU law concerning the documentation that must accompany the movement of wine and imported wine, the certification of wine, and the registers that must be kept by wine operators relating to the wines handled by them.

The Government launched a public consultation in October 2018 seeking stakeholders' and the public's views on our proposed new UK GI rules. Under EU rules, we are required to consult on amendments to food law. As we had to do this for wines and spirits sector standards, we also took the opportunity to consult on the wider GI aspects. We received 92 responses from a range of stakeholders, including the Scotch Whisky Association, the UK Protected Food Names Association and Quality Meat Scotland. Furthermore, the majority of respondents—68%—supported the Government's proposals. This included our proposals to have a three-year implementation period for the new logos and our recommended appeals process using the First-tier Tribunal.

GIs are intellectual property and, as such, this is a reserved matter. The relevant powers currently exercised by the European Commission will therefore be transferred to the Secretary of State. We have worked with the devolved Administrations on the whole of this instrument and, where it concerns devolved matters, they have given consent.

[BARONESS VERE OF NORBITON]

I turn to the provisions on veterinary medicines. This is the second EU exit instrument covering veterinary medicines. The other instrument, the Veterinary Medicines and Animals and Animal Products (Examination of Residues and Maximum Residues Limits) (Amendment etc.) (EU Exit) Regulations 2019, has already been debated in and accepted by both Houses.

This instrument covers three areas. It transfers powers and functions to set maximum residue limits for veterinary medicines. It provides for veterinary medicines that have been approved by the European Medicines Agency to remain on the UK market. It also makes necessary consequential changes to the fees charged by the Veterinary Medicines Directorate, as set out in the Veterinary Medicines Regulations 2013.

MRLs are the maximum safe limit of a particular substance in produce from animals. These limits are used to establish withdrawal periods: the period that must elapse after the last administration of the medicine before produce from that animal may enter the food chain. A UK MRL-setting framework is necessary to ensure the safety of produce from food-producing animals. Veterinary medicines are devolved to Northern Ireland, so the power to set MRLs is shared between the UK Government and the Department of Agriculture, Environment and Rural Affairs. Defra will be able to act on a UK-wide basis with the consent of DAERA and the VMD will continue to act as the UK-wide regulator to ensure consistency.

This instrument brings across the existing MRL application fees from the EMA of £62,300 for a new MRL and £18,850 to amend an existing MRL. However, as stated in the EM, these fees will be reviewed as soon as possible. Until the data is available to underpin a more accurate cost base, the fees will be administratively reduced to better reflect the actual costs incurred as part of the assessment.

Medicines approved by the EMA account for a small percentage of all veterinary medicines in the UK—about 13%. However, they are often novel treatments and substances and it is highly important that these medicines remain on the UK market. This instrument provides for their conversion to UK national approvals, with no charge for the conversion. Pharmaceutical companies will not need to take any immediate action to enable them to continue to market their products in the UK.

Lastly, this instrument makes minor changes to the fees charged by the VMD for the functions it carries out. I must be clear; apart from bringing over the existing MRL fees I have set out above, these are minor corrections and no new fees are being introduced. The amendments proposed to Schedule 7 to the Veterinary Medicines Regulations 2013 are merely to correct deficiencies arising from us leaving the EU.

Although a formal public consultation has not been carried out, the Government have proactively engaged with the animal health industry to discuss how we can ensure that the regulatory regime continues to function effectively after exit day. My noble friend Lord Gardiner of Kimble has met the veterinary pharmaceutical industry association—the National Office of Animal Health—on a number of occasions as part of our extensive engagement. Officials from the Veterinary

Medicines Directorate continue to hold regular meetings with key industry representatives. The industry has welcomed our proactive and continued engagement with it. NOAH expressed concerns that introducing a separate MRL-setting regime to the EU could increase burden and cost on the industry. The Government recognise that MRLs are key to facilitating trade in animal produce and will therefore look to align with international standards when setting them. To ensure a high level of protection for human health, MRLs must be based on sound science and data.

5.15 pm

A final point to note is that the SLS Committee has drawn this instrument to the special attention of the House. However, this was on the grounds that the policy areas were likely to be of interest to the House. The committee adviser confirmed this was on a neutral basis and concerns about the instrument were not raised in this case. I beg to move.

Baroness Bakewell of Hardington Mandeville (LD):

My Lords, I am grateful to the Minister for her extensive introduction, and for her and her officials' time at the briefing session. This is a further SI covering geographical indications, which we previously covered last week. Relevant EU law provides the framework to enforce this scheme and ensure that the UK remains compliant with the WTO and its Trade-Related Aspects of Intellectual Property Rights Agreement—TRIPS—obligations, as the Minister said.

There are currently 87 GIs in the UK, ranging from Craster kippers to Cornish pasties, and a number of delicious cheeses, from Wensleydale to Stilton. It is likely that there may be further applications for GI status now that the UK and the Secretary of State will decide on what is a legitimate case and the evidence provided. Defra officials will obviously have a role in advising the Secretary of State on what constitutes legitimate evidence. It is reassuring that should an application be refused, there is an appeal process through the Ministry of Justice, which will be running the First-tier Tribunals. However, no doubt there will be a cost to this. Could the Minister say what the cost of applying for a new GI status and appealing to the First-tier Tribunal will be?

Currently, UK regional GIs are protected in the EU. However, this could change once the UK has left—the EU might change their criteria, and so some of our small producers might find that their produce is no longer accepted. I understand that there are some new applications for GI status in the pipeline with the EU. These are extremely unlikely to be agreed before exit day. Can the Minister say how many there are and what the process will be for these producers to apply once exit day has passed? Will their current application just be transferred to the Secretary of State for his consideration, or will they have to restart the process with completely different forms in this country? It is likely that this process could lead to a dilution in protections as smaller businesses may not have the means to robustly defend their WTO entitlements.

Before leaving the topic of GIs, I would like to comment on the logo. Quite clearly, the EU GI logo cannot be used once we are no longer part of the club,

so a new logo is needed for the sole use of UK producers. Sub-paragraph 3 of paragraph 7.7 of the Explanatory Memorandum refers to the new GI logo coming forward. In the meantime, the existing UK agri-food GI will be used for three years, and yet another SI will come forward for the implementation of this logo. When the change to this logo takes place, it will cost producers to update their packaging and their marketing administration—yet more bureaucracy and cost for many, including some very small businesses.

I realise that we are nearly at the end of this process of introducing SIs relating solely to EU exit, but it is two years since it was started. I would have hoped that someone in Defra might have trawled through the various instruments and grouped them together more coherently than is the case. Perhaps it would have been too much to ask that all SIs dealing with GIs be dealt with on the same day or that those relating to veterinary medicines be grouped together. However, we are where we are and I hope that we will never have to go through this laborious process again.

The provisions on veterinary medicines are fairly straightforward. I have just one comment, on paragraph 12.3 of the Explanatory Memorandum, in relation to those wishing to apply for a marketing authorisation where one does not already exist. As the Minister said, this will be subject to a fee. The EM states:

“This fee will be reviewed once a cost base has been established to ensure that the fee levels are appropriate”.

This appears arbitrary. Can the Minister say a little more about what criteria will be used for establishing the fees and whether there will be different levels of fee depending on what the veterinary medicine is and what it will be used for? Apart from this, I am happy to support this SI.

Lord Whitty (Lab): My Lords, my first concern is the same as that of the noble Baroness and the Secondary Legislation Scrutiny Committee: namely, that the regulations cover disparate things. I come to these matters at the first instance and know that some of them have been dealt with previously but that there are still some to come.

The Secondary Legislation Scrutiny Committee pointed out that having SIs on different areas was not helpful to consideration by the House, but, much more importantly, it is not helpful for those who have to use them in the longer term. In other words, as the noble Baroness, Lady Bakewell, has said, if all the GI SIs were in one place—even if not in one instrument then at least in related instruments—those who had to operate the system thereafter would be in a much easier place. Likewise with the veterinary measures, the veterinary profession, farmers and pet owners would know where to find the sequence of regulation which applies to veterinary practice and medicines post Brexit.

I appreciate that Defra has had an incredible throughput of SIs to bring to Parliament and congratulate the staff in Defra on doing so and on reducing them in number—I think that we were originally expecting about 900; by merging them in this way, they have brought their number down—but there were better ways, certainly in these fields, of merging them. I think that there will be some confusion down the line when we come to address them again.

I have a few questions, some of which have already been posed. There is no impact assessment for any part of this SI. In the broad sweep of the costs of Brexit, these figures may be rather low, but for the individual operator they are not necessarily so. A specialist food company which has a protected designation in international terms will have to come out of that, probably lose a chunk of its market as a result and then go through a process of registering with the UK system. There will not be a fee if it has previously been registered in Europe, but it will have to engage in changing its packaging and marketing and possibly change its logo twice. There is a significant cost to the individual producer.

My other point is a general point that relates to SIs that I have seen in other areas as well: it is not clear in these SIs—although I was grateful to the Minister for some clarification in the discussion that we had the other day—quite how the powers of the European Commission or the other European agencies transfer to UK agencies. In some cases, it will be obvious and straightforward—the limited amount of veterinary medicines that are cleared in Europe at the moment will come to the VMD. It is an existing organisation and we know how that works. However, GIs will be dealt with by the department. There is not a specialist operation. There is then the appeals process. The Explanatory Memorandum refers to a single-tier process with the department and the Secretary of State, and that is subject to a different appeals process. I understand that but it is not clear from the text of the SI. The drafters of these SIs need to make it clear to the practitioners who is responsible for what used to be an EU institution's role.

On the geographical indications schemes, the noble Baroness, Lady Bakewell, referred to the 87 UK products that we already have and she also asked how many were in the pipeline. Civil servants gave me an answer the other day but I recently looked at a list on the website showing that 14 are in the pipeline. That is rather more than I was given to understand was the number. It is important that those products do not have a duplicate process and that they are prioritised under the new system. The case will already have been prepared. They may not have got very far with it in Europe but the case will have been prepared.

The key issue in this circumstance is: what do the Government expect a UK designation to provide in terms of export markets? Because the rather discerning British consumer understands the EU designation, EU products have a benefit within the UK market because they will continue to have an EU designation. A reciprocal arrangement does not apply. We will have to invent, and invest in, marketing our specialist, previously protected products in Europe, as well as the new ones that are coming along the line, and the department may well have to look at promotional activity for these specialist products.

That takes me to the logo, which will be all important in establishing this new quality, both internally and externally. The interim arrangement seems to have been a bit of a problem. I am not entirely sure why it takes three years to develop a logo. Plenty of firms start up in various sectors and get a logo out in a matter of weeks. Therefore, I do not quite see why we

[LORD WHITTY]

need three years to do so. In any case, there will be a double cost to the producer—having to put the interim logo on first and then, in three years' time, move to an approved UK logo. There needs to be some attempt at costing that.

Because agriculture and, to a large extent, food production are devolved, there is the possibility of having different logos and systems in each of the devolved Assemblies, even though there may be an overall UK recognition system. A lot of the produce is very local, and a disproportionate number of those products—the existing ones and the ones in the pipeline—come from the territory of the devolved Administrations. There might be some difficulty in reconciling the system with the devolved Administrations. It is possible that the Scottish Administration, and perhaps the Northern Ireland Administration, will want a somewhat different logo from the one envisaged as the UK logo under these changes.

On veterinary medicines, I accept that the profession has been fully consulted. It has told me, as it has told others, that it is pretty satisfied with the need for the regulations when we move. The issue again is: what is the reciprocity? If veterinary medicines which were previously recognised in Europe are now recognised by us, is Europe likely to recognise those which are approved only or primarily in the UK, or is that a matter for a long-term treaty or possibly an international arrangement?

5.30 pm

MRLs are ultimately there to protect the human and, in some cases, animal consumer. They are there for a health reason. It is therefore very important that we do not go backwards. The withdrawal period specified in EU legislation—the period since the animal last received those medicines—is important to preserve but does not exist in the same way in other jurisdictions around the world. If we are entering new trade agreements with, say, America or Brazil, they will be operating on different systems. We must be careful that we preserve the protection of the British consumer and that the withdrawal period stipulations which have been in EU law will now be in UK law.

I should like to check on one potential protection from digression from standards in this field. The Americans portray hormone injections as medicine but they are really there for growth. Are they regarded internationally as inappropriate or are they subject to the same withdrawal period provisions? At the moment, we in Europe—theoretically at least—do not allow them at all. Do international standards apply here? I know that both the EU and various other regimes have regard to the international codex on this, which provides some protection. It is important that we do not allow any digression from the protection given by the MRL legislation.

I have no detailed points on the provisions for wine, spirits or mineral water: I just wish they were all in the same place so I could understand them. By and large, the full range of what is in European law now sits in British law, once we pass the regulations. I just wish the regulations were more user-friendly and understandable to producers, vets, farmers, consumers and regulators.

Without driving the staff of Defra mad, I wonder whether at some point we could rationalise the way in which we protect these SIs once, one way or another, we have got through the rush of exit, exit day is over and we are in either a deal or a no-deal situation. If we have a transition period, we might be able to sort it out a little more clearly and in a more user-friendly manner. Apart from that, I fully support the regulations.

Baroness Byford (Con): My Lords, having listened to the contributions of colleagues in the Committee, perhaps I could raise and reinforce two points. One is the question of logos. I can hardly see Scottish Beef being very happy to become just UK beef, or Welsh Lamb becoming UK lamb. How will that be overcome, because that is clearly a big selling point for them? Can we have more explanation of how the logo system would work?

On the whole question of veterinary medicines, perhaps I could include the use of antibiotics, because that is crucial these days. We are coming to the question of zoonosis shortly, but it is worth addressing the use of antibiotics to the extent that it happens in some countries around the world, which does not happen over here. I seek clarification on those two points.

Baroness Vere of Norbiton: I thank my noble friend Lady Byford for her points, and the noble Baroness, Lady Bakewell, and the noble Lord, Lord Whitty, for their contributions. I take the criticism on the chin at the outset. I agree with noble Lords: there have been circumstances where the structuring of the SIs and the statutory instrument programme has not been ideal. This has been due to many different factors in the way the work happened; sometimes the EU changed legislation as these things were coming through.

In these examples, however, we are discussing certain elements of the retained EU law in isolation, away from other SIs which discuss the same thing. I can only apologise for that. I recognise that this has not been ideal. As one of the two Ministers taking these statutory instruments through, it is not ideal from our perspective either. As the noble Lord, Lord Whitty, said, maybe one day we will be able to smooth it out, soften the edges and ensure that people understand the context. Certainly, the technical guidance that the Government are issuing puts into better context and plain English the sorts of things that the industry needs to look out for as we transition to a no-deal or a deal-supported exit from the European Union.

I turn first to the topic of GIs, as this attracted the most comments today. The noble Lord, Lord Whitty, and I believe the noble Baroness, Lady Bakewell, talked about the recognition of UK GIs by the EU. We consider that protection of UK GIs in the EU should continue automatically after exit. They have been through the EU scrutiny process and have earned the right to their place on the EU's registers. To remove the UK's GIs from its registers, the EU would have to change its rules. If the UK GIs are removed from the EU registers, the Government will support UK GI-holders in reapplying for EU GI recognition.

The noble Lord, Lord Whitty, mentioned promotion of GIs after exit. He is right that we will be setting up a new system. The UK GIs that we have at the moment

will roll over, but we hope there will be many more. We will support this, as we believe it is an opportunity to build significant consumer recognition of UK GIs in the places with which we trade significantly. We would promote them alongside wider UK Government promotional activity, such as the Food is GREAT campaign. We will also work closely with the devolved Administrations to co-ordinate future promotion of the GI schemes, recognising that some of the products are tied to a particular nation, rather than a particular locality. We will work with all scheme producers to raise consumer awareness in the UK, which is a very important market for these products, and in new markets abroad. We will also encourage new applicants, because we believe that is very important.

Turning to the application process and the cost of the new scheme, the basic application process is fairly straightforward. It is unlikely that the information required will be significantly different from that required by the EU. The application is formally submitted, the initial appraisal is completed, the devolved Administrations are asked to provide their scrutiny and external experts will be involved, as necessary. The application will be published and then the opposition procedure occurs, should there be any opposition. Finally, a recommendation is put to the Secretary of State and a decision is made on whether or not to award GI status to a product.

The department has the right expertise to assess applications. This expertise can be drawn from across the Defra group, and from academia and the private sector if necessary. This happens already, and it will continue under the UK scheme. We do not expect the costs of application to be different from what they are now; there will be no additional costs when compared to the current scheme, and so no new charges.

Turning to the appeals process, it is right that the Commission has a two-stage process, and it is only right that there is a right of appeal for producers who feel that their products should have been granted a GI. Therefore, we have proposed that the First-tier Tribunal is used. It is administered by Her Majesty's Courts & Tribunals Service, and was set up to, among other things, handle appeals against administrative decisions made by government regulatory bodies. Appeals on GIs are therefore part of its core business. Defra will have an arrangement with the MoJ for the payment of money to cover the cost of these appeals.

The noble Lord, Lord Whitty, and the noble Baroness, Lady Bakewell, spoke about the current UK GI applications which are with the EU. We are pleased to have recently awarded the Vale of Clwyd Denbigh plum, and will continue to process applications to grow this number after exit. The EU is currently assessing 6 UK GI applications. Examples include Ayrshire early potatoes, Cambrian Mountains lamb and Broighter Gold rapeseed oil. If there is no deal, we would expect these applications to continue to be processed by the EU. However, if that does not happen, they will be processed under the new UK scheme. The new Article 52A of EU regulation 1151/2012 will apply to UK applications pending in the EU. They will be converted straight into UK applications, because Article 52A is in the legislation as Part 3 of Schedule 1 to the instrument.

While logos are mentioned in this SI, it is not the main logo SI. Because the setting up of the new system is not dependent upon a no-deal Brexit, it can be done over a period of time. The reason we have chosen three years—we did talk to the industry about it—is to minimise the costs to business, because the logo has to be agreed upon and then there is the transition from the current logo to the new logo; that will happen over that three-year period. There will be an opportunity for noble Lords to discuss this in much greater detail when the logo SI comes to your Lordships' House. That may not be immediately—we all need a bit of a recess first; that would be wise. We are discussing it in this SI because there is an obligation to create a new logo, and the Government are very mindful of that. We have started talking to industry already, and we do not want all producers suddenly to have to change their logos at very short notice—that would not be cost effective. I have just been given a note saying that the three-year period, and the process by which we intend to do it, was supported in the public consultation that we carried out in October 2018. The process will continue in due course, and the three-year period will be available.

The noble Lord, Lord Whitty, talked about devolved logos, and my noble friend Lady Byford mentioned the issue of national products and their logos. These two things work in slightly different directions, because GIs are reserved as a form of intellectual property, and so the logo will be centrally managed. New logos will cover the whole of the UK, and we are working with them in the logo design process. We will come back to logos, and at that point we should discuss how we incorporate, because at some stage national brands will need to be incorporated into the broader system, particularly as many of them are such important exports.

I believe I have covered everything on GIs for the time being; I will check *Hansard* to make sure.

The issue of the MRL attracted slightly less attention, not because it is not important but because, I think, it is fairly straightforward. In my opening remarks, I talked about bringing over the EU fees for the MRL, but, within a few months of exit, the VMD will look at the actual cost of administering this scheme, to make sure we can charge the most appropriate amount. We expect the fees to come down, and we will do that as soon as we can.

5.45 pm

The noble Baroness, Lady Bakewell, asked about the criteria for setting the MRL. The process for setting it will be exactly the same as it is now. All the technical specifications and standards are just being transferred; the retained EU law will not change as a result of exit. We will maintain exactly the same standards.

The noble Lord, Lord Whitty, asked whether there might be divergence between us and the EU and how we will cope with trade with our international partners. We are absolutely clear that we are committed to ensuring continuing high levels of protection for human and animal health, as well as making it straightforward for businesses to put their medicines on to the market. We will ensure that UK businesses and individuals continue to have access to a range of veterinary medicines

[BARONESS VERE OF NORBITON]

and that they are safe. Whether in facilitating trade or in other avenues, we will look to align with international standards. It is important that we do not suddenly diminish our public health standards. Certainly, that is not our intention.

The noble Lord, Lord Whitty, asked whether the EU will recognise UK veterinary medicines. At present, companies must apply to the EMA or to national member states to market in the EU. Obviously, the nature of the deal going forward is currently up in the air, and a subject of negotiation may be whether we can make sure that UK medicines have exactly the same access as now.

The noble Lord, Lord Whitty, raised one other issue, which I have forgotten. He need not worry. I will look through *Hansard*, because it was a very important point and I had the answer. I will have to respond in writing, for which I apologise—it must be the hour.

Motion agreed.

Zoonotic Disease Eradication and Control (Amendment) (EU Exit) Regulations 2019

Considered in Grand Committee

5.48 pm

Moved by Baroness Vere of Norbiton

That the Grand Committee do consider the Zoonotic Disease Eradication and Control (Amendment) (EU Exit) Regulations 2019.

Baroness Vere of Norbiton (Con): My Lords, this instrument ensures that there will continue to be a functioning regulatory and legislative regime for protecting human health against zoonotic disease—disease that may transfer from animals to humans—when the UK leaves the EU.

The instrument extends to and applies to the United Kingdom. Part 4 makes very minor consequential changes to secondary legislation for England and on behalf of Scotland and Northern Ireland. The same amendments will be made shortly by the Welsh Government to their legislation. We have worked with the devolved Administrations on this instrument and they have given consent.

The current EU requirements set targets to reduce the prevalence of salmonellas of public significance in poultry. Targets are achieved through control programmes, regular sampling for the presence of salmonella and actions such as culling where it is found. Where poultry and hatching eggs are traded between EU member states and other countries, the results of salmonella sampling must be shown on health certificates. Trade with countries outside the EU is permitted only if the country is on a list of approved third countries with equivalent controls.

This SI makes technical amendments such as removing or amending references to EU institutions such as Community “reference laboratories” and “the Commission”, which will no longer be appropriate after EU exit. There are no changes to the standards set out in the EU regulations.

Part 2 of the instrument also provides for a series of legislative functions which take those powers currently held by the Commission and transfers them to the appropriate Ministers in the UK. The powers transferred permit changes to procedural and technical matters, including targets for the reduction of the prevalence of salmonella, detailed requirements for control programmes and specifying the responsibilities and tasks of laboratories. Imports of poultry and hatching eggs from the EU will be permitted on the same basis as now, but the regulation includes some minor changes to ensure that such imports continue to be accompanied by health certificates that show test results for salmonella. The changes also permit the Secretary of State to make changes to the list of third countries from whom imports of poultry and hatching eggs may be accepted. Where powers are transferred from the European Union to UK Administrations, I assure noble Lords that Ministers will be able to make statutory instruments regarding procedural and technical matters only, in the same way the Commission can in respect of the regulations at the moment.

Part 5 ensures that existing control programmes remain in place after exit day and that the reference laboratories carrying out testing and analysis can continue to operate without new designations. Although the regime will continue to function after we leave the EU much as it does now, transferring powers to the devolved Administrations means that instead of having a UK-wide target for the reduction of salmonella and a UK-wide national control programme, each Administration will have its own. The standards set out in the regulations will, nevertheless, remain the same. We have worked with the devolved Administrations on this instrument, and they have supported this approach.

We and the devolved Administrations have talked to our key stakeholders: the British Poultry Council and British Egg Industry Council. Key stakeholders understand that separate targets and control programmes are the inevitable consequence of transferring legislative functions to the devolved Administrations. We have assured them that we will continue to work closely with the devolved Administrations to help deliver a system that will not cause unnecessary complications for business.

The regime will continue to operate much as it does now. Defra officials have made an assessment of the potential impacts on business of separate targets and control programmes in each Administration and have estimated that the impacts are unlikely to be significant. I beg to move.

Baroness Byford (Con): My Lords, I thank the Minister for introducing this statutory instrument, which I welcome. I have a couple of questions for her, but I declare an interest of long ago—50 years—as an ex-poultry farmer, producing eggs for a very well-known breeding company which hatched the eggs and then sold the chickens to farmers commercially; I was a parent stock breeder. It is hugely important that imports are considered on the same basis as they are now; they need health certificates, so that is a very welcome confirmation.

The egg industry is hugely important and, from time to time, has had some great challenges over those years. We remember the egg scare during a certain

lady's time—Edwina Currie—which did the industry no good at all. The industry needs to know that it is battling on an even level, so I welcome this statutory instrument.

If I may, I shall raise again the question again that I previously mentioned briefly, but I did not come back to the Minister. We were having a conversation on salmonella before we started this debate, but the use of antibiotics falls within this ground. Some countries use antibiotics in a way we certainly would not here. There is not a direct link at the moment, but it may be—I would have to look to colleagues for confirmation—that it can be transposed from livestock to humans because of its excessive use. I am not sure of my ground on this, but I would not like the occasion to go by without raising this with the Minister again. I realise that this statutory instrument looks primarily to getting proper monitoring and control over salmonella, which is a hugely difficult disease within the industry if it is allowed to take hold. As a former-poultry farmer, I am well aware of the challenges that the industry faces. The one thing that it needs is to be able to trade fairly, and therefore the regulations are very welcome.

Baroness Bakewell of Hardington Mandeville (LD): My Lords, I thank the Minister for her comprehensive introduction to this fairly non-controversial statutory instrument. As has been said, it provides the protection of EU standards in UK law, particularly in relation to salmonella. I accept what the noble Baroness, Lady Byford, said: this is really important for our poultry farmers and egg producers.

The trade in live animals and hatching eggs between member states and third countries includes vaccination and antimicrobials to reduce disease transmission between the animals themselves and animal-to-human transmission of disease. It is important to ensure that the Government introduce legislation to keep health standards at the highest possible level in order to protect both animals and humans. Paragraph 2.4 of the Explanatory Memorandum indicates that animal health is a devolved matter, and therefore the power to amend targets on zoonotic diseases is also devolved.

There will be a UK-wide national control programme but each Administration will have their own targets for the reduction of salmonella. There is, therefore, the possibility of targets being reduced or increased. Northern Ireland, understandably, will have the same targets as Ireland and therefore will have the same targets as the rest of the EU. Can the Minister confirm that the regulations will be the same across the UK but that the targets could be different, especially in Northern Ireland? Can she also say what safeguards will be in place should a devolved Administration seek to reduce their target on salmonella?

The British Veterinary Association has expressed the view that maintaining surveillance networks with the EU should be a priority. Can the Minister detail the provision that is in place with the EU to ensure that intelligence will be shared to protect our biosecurity? Those comments apart, I am happy to support this SI.

Lord Whitty (Lab): My Lords, I, too, am happy to support this SI, and I thank the noble Baroness. My points are more or less the same as those that have

already been raised, but I would like a little more clarification on the devolution relationship. As I understand it, this SI became subject to the affirmative resolution because of objections by some of the devolved Administrations—I am not sure which ones—but does that reflect a difference of approach in the various control regimes in the DAs? If so, what the noble Baroness, Lady Bakewell, has just referred to could well occur. We would have differential targets and therefore differential methodologies, which would seem to be going backwards. Nevertheless, this instrument or related ones transfer the responsibility to the devolved Administrations, and the veterinary profession in particular will need to know how that is to be pulled together and properly co-ordinated. It will need to know that there will be UK-wide machinery for ensuring that that happens, particularly in the event of a serious outbreak.

I have only two or three other questions. The title of the SI relates to zoonotic disease eradication in general but in practice it refers only to poultry and, specifically, to salmonella. There are other zoonotic diseases and other poultry diseases. There is bird flu and there are other, non-poultry diseases, and I am not clear why they are not covered in the same regulations. Presumably the Government will wish to make the same system apply to all potential animal-to-human transmitted diseases, and the issues of devolution and having a national standard control and eradication programme would be the same for other such diseases. As we know from the experience of other parts of the world, these have sometimes become quite serious challenges.

6 pm

I think that the Minister answered my other query. The noble Baroness, Lady Byford, referred to imports from outside the EU and I was a bit alarmed to hear that, in a no-deal situation, there would immediately be free access for hatching eggs from the EU. I thought that was a reference to tariffs, because they would be zero-tariffed in the temporary tariff proposition. However, if you offer zero tariffs to the EU, under WTO rules you have to offer them to everybody else. Therefore, you might be faced with a higher level of importation challenging domestic egg production and the hatching process. The eggs may well come from countries with much lower health standards. I think the Minister said that while the tariff would be the same for EU and non-EU countries, the regulations would be different. I am not sure at what point that gets tested under the WTO rules, but hopefully that will be well down the line and we will have a more rational regime by then.

My only other question is on the digression issue. If we are to maintain high standards, keeping them at least as high as the EU, are the Government geared up to ensure that we will avoid reaching trade agreements with countries whose standards are somewhat lower and which present a higher risk of zoonotic diseases, or any animal diseases—quite apart from the specific issue of eggs which I referred to? In particular, this affects the domestic testing regime, as well as that for potential imports. We know there has been a bit of a rundown in the laboratory capability of the agriculture and food sector more generally, so are we confident that we have enough laboratory capacity here to ensure

[LORD WHITTY]

that we can check that new diseases are not developing, or appearing for the first time, in the UK? Clearly, some of that information has hitherto been provided by laboratories in the rest of the European Union.

Apart from that, and sorting out the devolution arrangements, which may turn out to be the most difficult part of this, I welcome this SI.

Baroness Vere of Norbiton: I thank all noble Lords who have taken part in the debate today. It has been a short debate, but I am heartened by the support that this instrument has from all sides of the Committee. I thank noble Lords for raising some very important issues.

I thank my noble friend Lady Byford for her support. I agree that this is a hugely important industry. I do not have the facts and figures with me today, but it is a vital part of our agricultural sector. It is very important that it continues to trade fairly going forward—this links to the point raised by the noble Lord, Lord Whitty. Our standards must be as high as is appropriate. We must make sure that the health certificates of any imports are robust and that enforcement is strong, because it would be a concern should any diseases arrive from outside our shores. We must do what we can to protect the industry.

The noble Lord, Lord Whitty, asked why this measure is only for salmonella and whether this was another example of the Government's management of their SI programme. This is slightly different, because there is different legislation for avian influenza, for example. That is covered under the Exotic Disease (Amendment etc.) (EU Exit) Regulations 2018 and there are a range of other pieces of legislation that link to that SI.

My noble friend Lady Byford mentioned antimicrobial resistance. This question is not wholly within the scope of these regulations, but the British Poultry Council reduced antibiotic use by 85% between 2013 and 2017, which is outstanding—that is a great development. We continue to have some of the lowest levels of antibiotic resistance in the EU.

I turn to an issue on which I may offer to write in addition to what I am able to say today: the devolved Administrations and Northern Ireland. The issue here is that this is devolved. The four nations that make up our country have to work together to ensure that we do not have gaps or significant divergence within our

animal welfare legislation. While I am sure that both the industry and noble Lords would welcome as little divergence as possible, we must also understand that it was a decision by Parliament to make certain matters devolved to these Administrations. However, on the other side of that, we are working extremely closely with the devolved Administrations; it is in nobody's interest for there to be divergence. Certainly, we should look not only to the EU but to other international trading partners to see how their regulations develop over time to ensure that our standards are at least as high as others' and that the internal United Kingdom single market is not impacted by anything that the devolved Administrations may wish to do.

We already have future frameworks in place for how we will work with the devolved Administrations not just regarding animal welfare but covering all sorts of different areas which are legally devolved. We must respect that devolution. Essentially, the standards, when they come into force, will be the same, and the EU targets that are in place today will apply across all the devolved Administrations.

That situation will be the same in Northern Ireland; obviously, we will need to look at what happens in Ireland and the rest of the EU if there is no deal, but of course, we cannot guarantee that nor can we guarantee that we will follow in lockstep exactly what they do, because that is not the point of Brexit. Certainly, however, for the Northern Ireland situation, it makes it even more important that we look at the international situation.

The noble Lord, Lord Whitty, asked whether laboratories have sufficient resources. Salmonella testing is carried out by UK laboratories at the moment, approved by Defra and the Food Standards Agency. They will not be impacted by EU exit. The current reference laboratories in England and the similar laboratory in Northern Ireland will continue to operate as normal.

I believe that I have covered everything. I will certainly look at my answer on the devolved Administrations, in particular in respect of Northern Ireland, to see whether we can develop that any further, but in the meantime, I commend the regulations.

Motion agreed.

Committee adjourned at 6.08 pm.